

# Asia Swap Overview

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Morgan Stanley

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# Delta One Structured Products

## Asia Swap Product Coverage

Morgan Stanley has been a market leader for over 20 years in providing integrated solutions to clients via synthetic access. In the Asia-Pacific region, swaps are available across 14 markets, over products including stocks, futures, and indices. The swaps platform provides clients access to the full breadth of the Morgan Stanley franchise, with direct connections to Prime Brokerage, MSES (Morgan Stanley Execution Services) and Securities Lending. The Morgan Stanley swaps franchise provides clients with a full-service experience. Below is an overview of the Morgan Stanley trading teams and coverage capabilities in the Asia-Pacific region.

### GLOBAL COVERAGE

- Clients receive customized coverage from dedicated teams, comprised of individuals from business areas across the firm, including Swaps Trading, Securities Lending and Execution Services
- Within the Asia-Pacific region, coverage individuals are located throughout Morgan Stanley offices. Established local team presence in Hong Kong, Tokyo, Singapore, Sydney, Mumbai, Seoul and Taipei ensures breadth of geographic coverage and depth of market expertise, and enables the teams to stay abreast of the latest market and regulatory developments
- Morgan Stanley product specialists and service representatives provide regional expertise, while integrated cutting edge technology and seamless coordination deliver global solutions

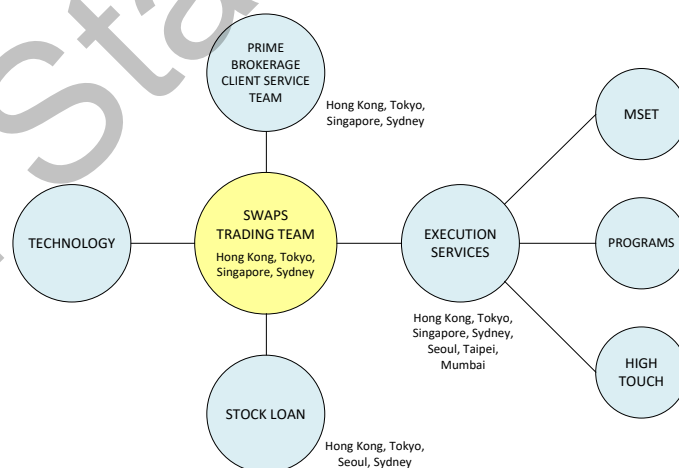


### EXECUTION SERVICES

- The Execution Services team serves clients across MSET (Morgan Stanley Electronic Trading), high-touch, and programs trading platforms for both equities and listed derivatives. The team is widely considered the first “point of contact” by clients for their execution needs, and comprehensively manages clients’ trading flow
- Over 50 individuals with decades of direct industry experience deliver concrete results for institutional clients, which include fundamental, quantitative and broker-dealer firms
- The team provides real-time trading insight, as well as pre- and post-trade input and analytics. Dedicated coverage individuals proactively monitor and resolve order exceptions, and can source liquidity on request via blocks, deals or crosses
- Product and engine specialists are situated alongside the Execution Services team on the trading floor, receiving and incorporating crucial feedback from clients

### SWAPS TRADING

- The swaps trading team serves as a centralized point of contact for clients synthetic access needs. The team supports clients through real-time trade-flow management, provides guidance on Asia market mechanics and regulations, advises on swap product and platform features and customizes solutions to meet specific client requirements
- ~25 experienced swap traders across four locations, with an average swaps experience of more than 8 years, comprise the Asia-Pacific team. The team’s cross-coverage model supports a mix of expertise that encompasses all markets and assets offered on swap: equities, futures, index swaps, custom basket swaps, FX, corporate actions, etc.
- Underpinning the swap traders is a team of desk technology strategists and IT developers working to continuously enhance the swap platform. The trading control infrastructure ensures accuracy of client position management and that orders fully adhere to market rules



- Outside of traditional market hours, Morgan Stanley global teams step in to provide timely insight and guidance

### SECURITIES LENDING

- The Securities Lending team sources quality and quantity by leveraging its strong relationships across the firm’s stock loan clients and investors
- ~17 stock loan professionals across four locations in the region provide client-focused coverage in partnership with the Swaps Trading team, collectively delivering on client requests and providing the latest on the supply and demand landscape

### CONTACTS

- Swaps Trading (HK): [fpghk\\_flow@morganstanley.com](mailto:fpghk_flow@morganstanley.com)
- Swaps Trading (JP): [fpgjp@morganstanley.com](mailto:fpgjp@morganstanley.com)
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# Delta One Structured Products

## Asia Swap Guidelines

Swaps offer a flexible and customized route to achieving leverage, and short access, while greatly simplifying operations. Below are the general principles to consider while trading swaps with Morgan Stanley in the Asia-Pacific region. Please refer to our individual market overviews for market-specific details.

### CASH VS SWAP GENERAL CONSIDERATIONS

- **Market specific requirements:** Local IDs are not required to trade MS swaps. MS handles pre-funding and delivery requirements on swap hedges where applicable
- **Short access:** For some markets, swaps are the only way to gain short exposure to individual stocks
- **Cash / FX management:** MS takes care of the complexity of currency and NDF management
- **Algorithmic trading:** For most cases, customers have access to the same MSET trading engines on swap as on normal cash trading.
- MS handles position disclosure and ownership threshold monitoring on swap hedges in most cases
- **Regulatory and Compliance:** MS applies pre-trade checks and position-keeping logic on swap orders to ensure accurate order-flagging and prevent over-unwinding of swap positions
- **Corporate actions:** MS handles all corporation action events on its hedges, providing clients with a standard interface across markets
- **Order flagging:** Swap orders must be accurately flagged at the point of entry and may not be amended after execution. In case of order miss-flagging (cash instead of swap or vice versa), MS would require two additional tickets to reverse the order to the correct flag. Similarly, cash and swap orders may not be aggregated into one ticket

### SHORT ACCESS LOCATE PROCESS

- Morgan Stanley's market-leading securities lending offering is seamlessly integrated with the swap product. MS offers multiple locate channels to fit the client's trading strategy
  - **Matrix portal:** MS's web portal includes the ability to check indicative stock loan availability, rates, and initiate locate requests as well as check approval status. Auto-loading of pre-defined lists and index constituents is also supported
  - **Direct Connectivity:** Option to integrate with clients' order management system to manage locate requests and approvals
  - **FTP:** Secure file transfers for overnight batch processing
  - **On-Demand:** Real-time approval upon swap order arrival

### CORPORATE ACTIONS

- MS manufactures the economics of corporate action events on swap to clients (e.g., dividends, right issues, tender offers, etc.) on a reasonable endeavors basis
- Short swap positions are subject to lender/long holder preferences
- Event level corporate action information is disseminated to clients via the MS Corporate Action Notification System (CANS)
- The MS preference deadline for clients to indicate their economic preference for each corporate action is specified through the CANS message or on the Matrix web portal
- Swap holders do not physically own shares, thus have **no voting rights**, no beneficial ownership, and **do not control the MS hedge**
- Please refer to the Corporate Actions Overview section in the Appendix for more details and market-specific considerations

### GIVE-INS

- Trade confirmations must be received by 19:00 HK time on T+0
- MS reserves the right to refuse any give-ins if pre-trade checks are not satisfied or they are late
- Give-ins can only be booked and settled on market trading days
- Give-ins are booked by MS on a reasonable endeavors basis subject to different executing brokers' operational process
- If a client wishes to strike an MS swap in a currency other than that of the underlying (e.g. USD Swap on a Japanese stock), an FX transaction would be required. The client needs to specify if the FX transaction on give-ins will be traded by the executing broker or by MS. It is best to have a default for each market before trading, to avoid problems that can only be discovered in the evening or T+1
- Subject to the guidelines above, give-ins are generally available in Australia, Hong Kong, Japan, New Zealand, and Singapore
- Please refer to the Give-ins section in the Appendix for more details

### FX CONSIDERATIONS

- MS offers swaps in both USD and local currencies (generally limited to non-restricted currency) on equities, indices, listed options, and custom baskets
  - USD swaps have FX exposure on the full notional of the equity
  - Local currency swaps have no direct USD exposure, but the market value of the swap will remain in local currency, and thus the market value in USD terms will move with FX
- **Standard FX timing:** MS will execute FX soon after equity market close where possible. Please see our market specific overviews for more FX considerations
- Please refer to the market specific overview as well as the FX Considerations section in the Appendix for more details

### ODD LOTS

- A number of Asian markets have a minimum round lot size for market trading (superior to 1 share)
- Morgan Stanley can facilitate odd lots trading only for particular positions, resulting from particular corporate actions events and microstructure mechanisms
- Please contact your MS representative for more details on market nuances, facilitation mechanisms and potential cost

### POST TRADE REPORTING

- Same day trade recaps are available after market closes and FX is struck, generally within an hour after market close, with some variations by market
- Our real time trade matching service enables reconciliation of trades on trade date
- Allocation splits across multiple funds can be booked automatically when matching trade details
- Standard swap reporting available 07:30 HKT on T+1

### SWAP DOCUMENTATION

- Certain documents must be executed before we are able to trade, including International Swaps and Dealer Association (ISDA) Agreement and Standard Automated Transaction Supplement (ATS)
- Extra documentation required for Hong Kong, China and India
- Please refer to the Onboarding Guide in the Appendix for more details

# Delta One Structured Products

## Asia Swap Overview

	LONG/SHORT	VOICE/PT	MSET	ALGO	INDEX/ CUSTOM BASKETS	USD/GBP/EUR SWAP CURRENCY	LOCAL SWAP CURRENCY	GIVE-UPS	IPO <sup>1</sup>	LONG/SHORT	VOICE/PT	MSET	ALGO	USD/GBP/EUR SWAP CURRENCY	LOCAL SWAP CURRENCY <sup>2</sup>	CAPITAL GAIN WITHHOLDING	MARKET SPECIFIC ONBOARDING	OTHER/NOTES
	EQUITY									FUTURES						OTHER/NOTES		
<b>DEVELOPED ASIA</b>																		
AUSTRALIA	L/S	●	●	●	●	●	●	●	●	L/S	●	●	P	●	●	●	-	Speedway available for Equity
HONG KONG	L/S	●	●	●	●	●	●	●	●	L/S	●	●	P	●	●	●	●	Speedway available for Equity. Several MSCI Index Futures available starting in 2020
JAPAN	L/S	●	●	●	●	●	●	●	●	L/S	●	●	●	●	●	●	-	Speedway available for Equity. IPO on swap on listing date
NEW ZEALAND	L/S	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	-	
SINGAPORE	L/S	●	●	●	●	●	●	●	●	L/S	●	●	P	●	●	●	-	Several MSCI Index Futures available until Feb 2021
<b>EMERGING ASIA</b>																		
CHINA QFII	L	●	●	P	●	●	●	●	●	L/S	●	●	P	●	●	●	●	SGX FTSE China A50 futures available
CHINA HK CONNECT	L/*	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-	●	
INDIA	L	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	*	
INDONESIA	L/S	●	●	●	●	●	●	●	●	L/S	●	●	●	●	●	●	-	SGX MSCI Indonesia futures available
KOREA	L/S	●	●	●	●	●	●	●	●	L/S	●	●	P	●	●	●	-	
MALAYSIA	L/S	●	●	●	●	●	●	●	●	L/S	●	●	●	●	●	●	●	Equity short-sells supported on Voice/PT only. Execution via local brokers
PHILIPPINES	L/S	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-	●	Execution via local brokers
TAIWAN	L/S	●	●	●	●	●	●	●	●	L/S	●	●	P	●	●	●	-	DMA access on TSE, but not TPEx
THAILAND	L/S	●	●	●	●	●	●	●	●	L/S	●	●	●	●	●	●	-	Execution via local brokers
<b>FRONTIER ASIA</b>																		
VIETNAM	L/S	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-	●	Execution via local brokers

● Available    L Long access    L/S Long and short access    - Not applicable    <sup>1</sup> Deal specific please contact MS to discuss  
● Not available    S Short access    P Partial offering    \* Please contact MS to discuss    <sup>2</sup> Contract currency

# Delta One Structured Products

## Asia Swap and Cash Considerations

	CASH	SWAP	LOCAL ID	ID REQUIREMENTS TRADING CASH	LIMITATIONS	LOCAL AND CROSS CURRENCY SWAPS	DMA CAPABILITY	NOTES
	EQUITY							NOTES
<b>DEVELOPED ASIA</b>								
AUSTRALIA	L/S	L/S	●	●	●	●	●	- Cash positions require daily short position reporting to the Australian Securities and Investment Commission, but there is an exemption from reporting if the short position is lower or equal to 0.01% of the total quantity of securities/products in the relevant class of securities/products or A\$100,000. Clients trading on swap are not subject to the reporting obligation - Cash requires substantial shareholder reporting requirements of any position greater than 5% of the company's share capital. Clients trading on swap are not subject to the reporting obligation
HONG KONG	L/S	L/S	●	HK OSLA or GMSLA required for short selling	●	●	●	- Parties have to report short positions on specified shares weekly to the Hong Kong Securities and Futures Commission from June 18, 2012. Any breach without a reasonable excuse can be an offense punishable by a fine up to HK\$100,000 and imprisonment for up to 2 years. The threshold for reporting is the lower of (i) 0.02% of the relevant company's issued share capital, or (ii) a value of HK\$30million. Morgan Stanley is responsible for swap hedge disclosure and reporting. However, clients are responsible for reporting when their combined holdings of an individual company reach 5% (including their swap holdings)
JAPAN	L/S	L/S	●	●	Foreign ownership limits	●	●	- Daily short sell reporting and publication of positions (0.20% and 0.50%, respectively, or greater of issued or outstanding shares) is required to the relevant Exchange through broker dealer. Clients trading on swap will not have to report
NEW ZEALAND	L/S	L/S	●	●	●	●	●	-
SINGAPORE	L/S	L/S	●	●	●	●	●	- Parties have to report short positions on specified shares weekly to the Monetary Authority of Singapore. The threshold for reporting is the lower of (i) 0.2% of the relevant company's issued share capital, or (ii) a value of SG\$2million. Morgan Stanley is responsible for swap hedge disclosure and reporting, while clients would be applicable for any combined swap and cash position reporting.
<b>EMERGING ASIA</b>								
CHINA	●	LONG	●	QFII status	QFII quota capacity	USD only	●	- Requires QFII status and available quota to trade China A. Morgan Stanley is able to offer synthetic access via swap to China A
CHINA B	LONG	LONG	●	Separate investor codes to investment on China A	●	●	●	- A Foreign Investor ID/cash account is required to directly access the market. Morgan Stanley can provide clients with market access via swap
HK-SHANGHAI CONNECT	LONG	LONG*	●	SPSA account set up will mitigate the requirement for stock pre-delivery on sales	Daily quota of CNY52Bn	●	●	- Investors can trade eligible stocks through the program; SSE180, SSE380, and A/H dual-listed names listed on the Shanghai Stock Exchange, excluding IPOs, stocks under the risk alert board or non-CNY stocks - * Inventory available, please contact Morgan Stanley
HK-SHENZHEN CONNECT	LONG	LONG*	●	Similar to HK-SH	Daily quota of CNY42Bn	●	●	- Eligible stocks constituents of SZSE component index, SZSE Small/Mid Cap Innovation Index with market cap at least CNY6Bn, A shares of SZSE-SEHK A+H - * Inventory available, please contact Morgan Stanley
INDIA	LONG	L/S*	●	FPI setup & KYC; Tax ID	Foreign ownership limits	USD only	●	- A Foreign Investor ID/cash account is required to directly access the market - FX management is handled by Morgan Stanley swap desk

● Required/Applicable    ● Not required/Not applicable    L Long access    S Short access    L/S Long and Short access    \* Please contact MS to discuss

	CASH	SWAP	LOCAL ID	ID REQUIREMENTS TRADING CASH	LIMITATIONS	LOCAL AND CROSS CURRENCY SWAPS	DIMA CAPABILITY	
	EQUITY							NOTES
INDONESIA	LONG	L/S	●	Apply SID if trading directly with a broker onshore	●	USD only	●	- Morgan Stanley can offer short access via swap at a single stock or index level
KOREA	LONG	L/S	●	Investment Registration Certificate (IRC) from the Financial Supervisory Service (FSS)	Foreign ownership limits	USD only	●	- A Foreign Investor ID/cash account is required to directly access the market. Morgan Stanley can provide clients with market access via swap.
MALAYSIA	LONG	L/S	●	●	●	USD only	●	- Morgan Stanley can offer short access via swap at a single stock or index level.
PHILIPPINES	LONG	L/S	●	●	Foreign ownership limits and liquidity constraints	USD only	●	- Morgan Stanley can offer short access via swap at a single stock or index level.
TAIWAN	LONG	L/S	●	FINI; register with the Taiwan Stock Exchange (TWSE) and the Central Bank	Foreign ownership limits	USD only	●	- A Foreign Investor ID/cash account is required to directly access the market. Morgan Stanley can provide clients with market access via swap.
THAILAND	L/S	L/S	●	●	Foreign ownership limits	USD only	●	
<b>FRONTIER ASIA</b>								
VIETNAM	LONG	L/S	●	Apply for Securities Trading Code (STC) with Vietnam Securities Depository	Foreign ownership limits	USD only	●	- A Foreign Investor ID/cash account is required to directly access the market. Morgan Stanley can provide clients with market access via swap.

● Required/Applicable    ● Not required/Not applicable    L Long access    S Short access    L/S Long and Short access    \* Please contact MS to discuss

# Delta One Structured Products

## Asia Swap Onboarding Guide

The below guide is a summary of some of the key points for consideration and discussion prior to trading swaps with Morgan Stanley in Asia. It is not meant to be an exhaustive list, and in-depth discussions on each topic are recommended.

Topic	Description	Key Contact
Documentation/ Eligibility	<p><b>Account Opening Questionnaire (AOQ):</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Standardized list of questions that will initiate most stages of swaps onboarding</li> </ul> <p><b>Documentation required to open swap account, including:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> International Swaps and Derivatives Association (ISDA) Agreement</li> <li><input type="checkbox"/> Prime Brokerage Agreement (PRIMO) or Credit Support Annex (CSA)</li> <li><input type="checkbox"/> Prime Brokerage Bridge Agreement</li> <li><input type="checkbox"/> Automated Transaction Supplement (ATS)</li> <li><input type="checkbox"/> ISDA Investment Manager Side Letter</li> </ul> <p><b>Documentation required for electronic trading:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Electronic Trading Agreement (ETA)</li> <li><input type="checkbox"/> MSET Swap Side Letter: Electronic Submission of Swap Orders</li> <li><input type="checkbox"/> HK Short Swap Side Letter: Swaps on Hong Kong Stock</li> <li><input type="checkbox"/> Additional documentation may be required depending on trading style</li> </ul> <p><b>General documentation / ATS amendments / side letters:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stock Loan General Data Letter / Non-Disclosure Agreement (NDA)</li> <li><input type="checkbox"/> FX inconvertibility language</li> <li><input type="checkbox"/> Emerging markets tax language</li> <li><input type="checkbox"/> Mark-to-market financing language</li> </ul> <p><b>Market specific:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> China ATS amendment: tax and eligibility language (QFII/Connect/ChiNext)</li> <li><input type="checkbox"/> Taiwan ATS amendment: eligibility language</li> <li><input type="checkbox"/> India ATS amendment: tax and compliance</li> <li><input type="checkbox"/> India eligibility: industry standard rep letter and MS questionnaire</li> <li><input type="checkbox"/> India KYC: additional documentation requirements</li> </ul>	<p><b>PB Launch Management</b> (Asia) <a href="mailto:launchmgmtasia@morganstanley.com">launchmgmtasia@morganstanley.com</a> (EMEA) <a href="mailto:launchmgmt@morganstanley.com">launchmgmt@morganstanley.com</a> (Americas) <a href="mailto:pblaunchgmt@morganstanley.com">pblaunchgmt@morganstanley.com</a></p>
Stock Loan	<p><b>A discussion with the Asia Stock Loan is recommended to review:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stock Loan Asia coverage and market color distribution</li> <li><input type="checkbox"/> Asia market Stock Loan microstructure (tick rules, etc.)</li> <li><input type="checkbox"/> Stock loan availability file setup</li> <li><input type="checkbox"/> Pre-locate/ FTP locate files set up and timing</li> <li><input type="checkbox"/> Matrix / on-demand locate/ e-locate / manual locate options</li> <li><input type="checkbox"/> Other Asia market nuances (CN, AU, HK, TW, KR)</li> <li><input type="checkbox"/> Borrow recycle / pay-to-hold / borrow return / auto-borrow / auto-rotate settings</li> </ul>	<p><b>Asia Stock Loan</b> <a href="mailto:sl_hf_asia@morganstanley.com">sl_hf_asia@morganstanley.com</a></p>
Execution Services	<p><b>A discussion with the Asia Execution Services is recommended to review:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Execution Services coverage and market color distribution</li> <li><input type="checkbox"/> Preferences for high-touch block crossing and high-touch coverage</li> <li><input type="checkbox"/> Algo suite overview and offering</li> <li><input type="checkbox"/> FIX connectivity and algo certification</li> <li><input type="checkbox"/> Electronic platform offering</li> <li><input type="checkbox"/> Execution preferences and Transaction Cost Analysis (TCA) reporting</li> <li><input type="checkbox"/> Electronic trading limits</li> <li><input type="checkbox"/> Execution recap setup</li> <li><input type="checkbox"/> Other Asia market / HFT specific nuances (Japan HFT, Low Latency EDD, BOC, etc.)</li> </ul>	<p><b>Execution Services Asia</b> (High-touch) <a href="mailto:hktradingdesk@morganstanley.com">hktradingdesk@morganstanley.com</a> (Programs) <a href="mailto:mshkorders@morganstanley.com">mshkorders@morganstanley.com</a> (MSET) <a href="mailto:mset-fe-coverage@morganstanley.com">mset-fe-coverage@morganstanley.com</a> (Quant) <a href="mailto:mset-fe-quants@morganstanley.com">mset-fe-quants@morganstanley.com</a> (Listed Deriv) <a href="mailto:hklisted@morganstanley.com">hklisted@morganstanley.com</a></p>



<p><b>Swap Execution Features</b></p>	<p><b>A discussion with the Asia Delta One Structures Products (DSP) is recommended to review:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Asia DSP coverage</li> <li><input type="checkbox"/> Market by market product eligibility and setup</li> <li><input type="checkbox"/> Swap settlement currency, FX processes and reports</li> <li><input type="checkbox"/> Swap internalization and internalization efficiencies</li> <li><input type="checkbox"/> Swap fill mechanics</li> <li><input type="checkbox"/> Futures on swap overview, including FX treatment</li> <li><input type="checkbox"/> Swap pre-trade checks</li> <li><input type="checkbox"/> Swap position keeping settings</li> <li><input type="checkbox"/> Asia restricted list processes</li> <li><input type="checkbox"/> Cross platform trading intentions and implications</li> <li><input type="checkbox"/> Transfer and give-In mechanics and guidelines</li> <li><input type="checkbox"/> Market nuances (foreign ownership limits, prefunding/pre-delivery, odd lots, etc.)</li> <li><input type="checkbox"/> Taiwan day trading</li> <li><input type="checkbox"/> ASEAN market nuances (Thailand NVDRs, Malaysia RSS, etc.)</li> <li><input type="checkbox"/> India market nuances, including capital gains deduction processes</li> </ul>	<p><b>Delta One Asia</b>  <a href="mailto:delta1asia@morganstanley.com">delta1asia@morganstanley.com</a></p> <p><b>DSP Asia Trading</b>                  (HK) <a href="mailto:fpgkh_flow@morganstanley.com">fpgkh_flow@morganstanley.com</a>                  (SG) <a href="mailto:fpginr@morganstanley.com">fpginr@morganstanley.com</a>                  (JP) <a href="mailto:fpgjip@morganstanley.com">fpgjip@morganstanley.com</a>                  AU <a href="mailto:fpgau@morganstanley.com">fpgau@morganstanley.com</a></p>
<p><b>Swap Pricing</b></p>	<p><b>A discussion with PB/DSP pricing team to review:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Strategy profile</li> <li><input type="checkbox"/> Sample portfolio</li> <li><input type="checkbox"/> Swap commissions</li> <li><input type="checkbox"/> Swap financing</li> <li><input type="checkbox"/> Leverage levels</li> </ul>	<p><b>PB Launch Management</b>                  (Asia) <a href="mailto:launchmgmtasia@morganstanley.com">launchmgmtasia@morganstanley.com</a>                  (EMEA) <a href="mailto:launchmgmt@morganstanley.com">launchmgmt@morganstanley.com</a>                  (Americas) <a href="mailto:pblaunchmgt@morganstanley.com">pblaunchmgt@morganstanley.com</a></p>
<p><b>Operations Setup</b></p>	<p><b>A discussion with your Prime Brokerage coverage is recommended to review:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Swap standard offerings</li> <li><input type="checkbox"/> Equity swap reporting suite</li> <li><input type="checkbox"/> Corporate action processing overview (including preference management via Matrix)</li> </ul> <p><b>A discussion with Operations coverage is recommended to review key swap setup, including:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Operational contact information</li> <li><input type="checkbox"/> Allocation methodologies (including Vista Matcher)</li> <li><input type="checkbox"/> Equity and financing payment schedules, and life-cycle processing</li> <li><input type="checkbox"/> Swap reporting suite</li> <li><input type="checkbox"/> Trade recap set up and timings</li> <li><input type="checkbox"/> Distribution lists for reporting</li> </ul>	<p><b>PB Launch Management</b>                  (Asia) <a href="mailto:launchmgmtasia@morganstanley.com">launchmgmtasia@morganstanley.com</a>                  (EMEA) <a href="mailto:launchmgmt@morganstanley.com">launchmgmt@morganstanley.com</a>                  (Americas) <a href="mailto:pblaunchmgt@morganstanley.com">pblaunchmgt@morganstanley.com</a></p>

**NEXT STEPS**

Please reach out to your Prime Brokerage Launch Management Representative to initiate the Asia swap onboarding process. Please note that some of the steps are fund or market specific, so please also reach out when opening a new fund or trading a new market for the first time.

- Asia [launchmgmtasia@morganstanley.com](mailto:launchmgmtasia@morganstanley.com)
- EMEA [launchmgmt@morganstanley.com](mailto:launchmgmt@morganstanley.com)
- Americas [pblaunchmgt@morganstanley.com](mailto:pblaunchmgt@morganstanley.com)

# Delta One Structured Products

## Guidelines for Swap Position Transfers

The following summarizes the methods by which clients may transfer existing swap positions from (or to) third party swap providers to (or from) Morgan Stanley (“MS”).

### TRANSFER CONVENTIONS

- Transfer methodology is determined by whether the transfer is actioned on exchange and whether the transfer order is exposed to other market participants
- On market** transfer refers to placing the client’s transfer order on the stock exchange order book *along with other market participants*.
  - Market on close (MOC)** transfer refers to having both parties placing their order into the closing auction, on the exchange
  - Trading at close (TAC)** session refers to on-exchange post-close crossing session the references the close price
  - Market exposure:** Orders in auctions and crossing sessions may not be complete, while orders in normal trading sessions may not be executed at the same price
- Off market** transfer refers to having such transfer through other means that are absent from the stock exchange order book
  - On exchange** transfer refers to using a mechanism provided by the stock exchange when exercising the transfer, including block trading facilities such as the KBlox crossing mechanism
  - Off exchange** transfer refers to using other mechanisms such as OTC transfers
- Positions become tradeable the following trading day after the transfer, with the exception of India where they are tradeable T+3
- The Asian markets in which MS is able to facilitate transfers of swap positions are listed below

Market	Market		Off Market	
	Auction	Crossing Session	On Exchange	Off Exchange
<b>Developed Markets</b>				
Australia	•	-	•~	•
Hong Kong	•	-	•~	•
Japan	•	-	•	•~
Singapore	•	•	•~	•
New Zealand	•	-	•~	•
<b>Emerging Markets</b>				
China connect	•	-	-	-
China QFII	•	-	•~	-
Korea	•	•	•~	-
Taiwan	•	•	•~	-
Indonesia	•	•	•~	•
Malaysia	•	•	•~	-
Philippines	•	•	•~	-
Thailand	•	-	•~	•
India	-	•	•~	-
<b>Frontier Markets</b>				
Vietnam	•	•	•~	-

~Recommended

### FX CONSIDERATIONS

- Any on-exchange transfers would be on a Delivery vs Payment (DVP) basis in underlying currency of the security, so a separate FX may be required
- For Asia Developed Market currencies as well as for CNH, MS may be able to cross FX versus the counterparty, subject to approvals, limits and counterparty agreement
- For Emerging and Frontier markets, FX cannot be crossed versus the counterparty.** MS can work with the counterparty to target Market FX at a pre-agreed time in order to minimize risk of slippage

### TRANSFER PROCESS

- Swap transfers may be actioned via:
  - Bulk Transfer:** Position is transferred in its entirety between MS and the counterparty. Market charges and FX slippage may be incurred. Swap commissions may apply, particularly in markets where MS trades via local brokers
  - Unwind at existing swap provider/Open at MS:** unwind naturally at the existing provider and open new positions at MS. No incremental cost incurred by the client. However, time taken to transfer the position(s) will depend upon the client’s turnover profile and the client will be required to manage positions across providers. Standard trading commissions apply
- MS recommends transfers be conducted post market close on trade date. This will allow positions to be tradeable next day, except India

### MORGAN STANLEY TRANSFER CHECKS

MS will perform the below checks prior to exercising any transfer

Feature	Description
<input type="checkbox"/> Portfolio Check	Please contact your swap coverage with details about the nature of positions to be transferred
<input type="checkbox"/> Restriction Check	Restrictions may result in MS not being able to accept the transfer. MS will advise how to proceed
<input type="checkbox"/> Locate Check	Short-Sells facing MS require borrow to be pre-located at MS. If borrow is unavailable, then MS will not be able to accept the transfer
<input type="checkbox"/> Inventory Check	For Long-Sells facing MS, MS will check whether the position to unwind is available

### CLIENT PROCEDURE

Feature	Description
<input type="checkbox"/> Broker check	Please provide your MS swap coverage with details of your current swap provider and trader contact details
<input type="checkbox"/> Late instruction	Transfers instructed after the stated transfer cutoff time will not be processed, and will need to be requested on the following day with a new Trade Date
<input type="checkbox"/> Email request	Transfer requests may be sent to <a href="mailto:fghk_transfers@morganstanley.com">fghk_transfers@morganstanley.com</a>
<input type="checkbox"/> Cancellations/Amendments	For any cancellations or amendments of position transfer, please contact your MS swap coverage
<input type="checkbox"/> Transfer request format	Please refer to Transfer Request Reporting Format section below

### SWAP TO CASH TRANSFER CONSIDERATION

- When clients are **transferring a long swap position in MS, to a long cash position to either MS or to another broker**, the instruction to transfer needs to be provided to Morgan Stanley
- If the order size is more than 1% to the total shares outstanding (“TSO”), clients will be required to confirm if they have any other disclosed/non-disclosed holdings and if any statement of intention has been issued.

### TRANSFER REQUEST REPORTING FORMAT

- Clients are requested to provide transfer requests in the following format:

Direction	RIC*	Quantity	Price	Currency	Destination
B/SS/SL	7974.T	100	38370	JPY	Cash/Swap

- Direction should be stated in **Morgan Stanley's perspective**
- Price should be the settlement price of the trade, net any commissions or charges

\* RIC is the preferred identification code. Morgan Stanley also accepts SEDOL and Bloomberg tickers

### TRANSFER RESTRICTIONS

- **Foreign ownership limits (FOL)** apply to some stocks; Transfers which may result in FOL limits being breached will not be permitted
- Suspended stocks are unable to be transferred
- Transfer price is subject to **Limit up/down restriction** for the market in question
- When **transferring short positions**, additional considerations apply
  - Borrows have been located for the stock
  - Share is not under the SS restricted list
  - For markets which state a SS eligible list, share intended to be transferred must be present on said list

Unless otherwise specified, the below market notes apply to both transferring between MS swap and Counterparty swap, and transferring between MS swap and Counterparty cash position  
Time restrictions noted below are stated in Hong Kong Time

### AUSTRALIA

- Off market transfer is supported
- On exchange: Cross must be at or within current National Best Bid and Offer (NBBO)
- Off exchange: Not supported by any onshore entities
  - Special/Block crossing with minimum amounts that vary by Tier
    - Tier 1: AUD 1mn
    - Tier 2: AUD 500k
    - Tier 3: AUD 200k, Commonwealth Government Securities (CGS) depository interests \$200k AUD
  - Transfers will be printed on tape

Transfer price	Market charges	Time restriction
Targeted as close price on trade date	0 bps	13:00

### HONG KONG

- MS recommends broker to broker cross (off market/ on exchange)
- On exchange transfers are available;
- Off exchange is only available for specific scenarios or with compliance approval
- Crossing must be reported within 15 minutes
- Transfers on exchange will be printed; transfers off exchange will not be printed on tape but will be reported
- Transfer price must be between the lower of the previous closing price and the lowest bid/ask price, and the higher of the previous closing price or the highest bid/ask price

Transfer price	Market charges	Time restriction
Listed above	10.77 bps per side of the trade	18:00

### JAPAN

- Morgan Stanley recommends to transfer off exchange (JSDX)
- Two methods for crossing between cash and swap:
  - Off market, on exchange (ToSTnet)
  - Available from AM 8:20 – PM 5:30 JST
  - Single stocks: Price must be within  $\pm 7\%$  of market price, cannot cross odd lots
  - Basket orders: 15 names or more and notional >100mn JPY
  - Off market, Off exchange – Shijogai (JSDX) crossing
  - Crosses must be reported within 5 minutes
- **Takeover bid rules and restriction (TOB Policy):** Under TOB policy, the concerned names are restricted from OTC crossing (JSDX) and need to be crossed on exchange (ToSTnet)
  - Odd lots are not supported
- **FX considerations:** may be crossed in both JPY and USD

Transfer price	Market charges	Time restriction
Targeted as close price on trade date	0 bps	17:00

### SINGAPORE

- Off market transfer is supported
- On exchange: Minimum 50,000 shares or 150,000 SGD
- Off exchange trades have to be reported through the married trade reporting system
  - Crosses during trading hours must be reported on the exchange within 10 minutes
  - Crosses after trading hours must be reported within the first 20 minutes of open on the following trading day
- Transfer price must be within the daily range

Market charges	
Off market	1.5 bps on both sides (Min 75 SGD)
On Market	4 bps on both sides

- 0.75 bps of the SGX trading fee can be waived for market transfers between MS Cash and MS swap

Transfer price	Market charges	Time restriction
Within daily range	Listed above	17:00

### NEW ZEALAND

- Off market transfer is supported
- On exchange:
  - A privately negotiated deal
  - Transfer price should be between bid and ask quotes
- Off exchange: Special transfers solely for amounts  $\geq 1$ mn NZD
- Transfers will be printed on tape

Transfer price	Market charges	Time restriction
Targeted as close price on trade date	0 bps	15:00

### STOCK CONNECT

- There is no exchange crossing mechanism and crossing between cash and swap is not permitted for Stock Connect stocks
- Transfers between QFII and Stock Connect are not permitted
  - QFII and Stock Connect lines are not fungible
- The only method to transfer a QFII position to Stock Connect is through regular trading on the stock exchange
  - Self-trading is strictly not allowed
  - Slippage risk will be present

**CHINA A AND CHINA B**

- Off market / on exchange (through the exchange block-trade system) transfer is supported
  - Hours for both SSE and SZSE: AM 9:30-11:30; PM 1:00-3:30
- Minimum size:
  - Shanghai A shares: ≥ 300,000 shares; ≥= 2mn RMB
  - Shanghai B shares: ≥ 300,000 shares; ≥= 2mn USD
  - Shenzhen A shares: ≥ 300,000 shares; ≥=2mn RMB
  - Shenzhen B shares: ≥ 30,000 shares; ≥= 200k HKD

Transfer price	Market charges	Time restriction
Within daily range	Buy trade: 0.887 bps Sell trade: 10.887 bps	15:30

- Trading price should be within the day's range. If there is no trading on the stock on the cross-trading day, the crossing price may be set at the previous day's close

**KOREA**

- On exchange transfer is required
  - On market, On exchange: Typically MOO or MOC
  - Off market, On exchange: KBlox facility, min size applies
  - KBlox hours AM 7:00 to PM 5:00 KST
- Transfers will be printed on tape

KBlox transferring		
	KOSPI	KOSDAQ
Single stocks	Size of 5000 shares or notional > 100mn KRW	Notional > 50mn KRW
Basket orders	5 or more names total notional > 1bn KRW	5 or more names total notional > 200mn KRW

- Morgan Stanley requires client's local ID to trade on their behalf
- KRX stocks designated as overheated short sell stocks cannot be short sold following 1 day of the announcement; this constraint may affect KBlox transfer eligibility
- For on market crossing, if the stock is bid limit up or offer limit down prior to the trade being executed, there is a risk that one side does not get completed

Transfer price	Market charges	Time restriction
Within daily range	Sell trade: 25 bps	17:00

**TAIWAN**

- Two methods of transfers are available
  - On market, On exchange: Typically MOC
  - Off market, On exchange: Block crossing mechanism, min size AM 8:00 - 8:30; AM 9:00 - PM 5:00
  - Day trading is not allowed for shares bought via block crossing mechanism
- Transfers will be printed on tape

Block crossing requirements	
Single position	500k shares or TWD 15mn per side of trade
Multiple positions	Min 5 stocks aggregated to 500k shares or TWD 15mn notional (separated by TSE listed and TPEX/Gre Tai listed)

- MS requires client's local ID (FINI) to trade on their behalf
- Short positions being transferred are subject to the daily short sell order quota
  - Transferring in the pre-market block session (8:00 to 8:30) will reduce the risk transfer failure due to this limit

Transfer price	Market charges	Time restriction
Within daily range	Sell trade: 30 bps	17:00

**INDONESIA**

- Off market / on exchange transfer is supported – negotiated board
- No limit on size, but price should be within the day's range
- Transfers will be printed on tape
- Free of Payment (FOP) cross vs USD is possible (off market and off exchange) for crossing (additional setups and checks may be required for FOP cross, please contact your MS representative)

Transfer price	Market charges	Time restriction
Within daily range	Buy trade: 4.3 bps Sell trade: 14.3 bps	17:00

**MALAYSIA**

- Off market / on exchange transfer is supported
- RSS orders cannot to be crossed
- Transfer price must be within the day's range
- Transfers will be printed on tape
- Direct Business Transaction (DBT) – Transferring between two Participating Organizations (POs) or 2 clients within same PO
  - No limit on size

Transfer price	
Shares above MYR 1	Shares below MYR 1
Within 15% of T-1 VWAP	Within MYR 0.15 of T-1 VWAP

- On Market Married Transaction (OMMT) – Transferring between MS and a client (i.e. within same PO)
  - No limit on size

Market charges (Both sides of trade on both conventions)	
Clearing fee	3 bps (Capped at RM 200)
Stamp duty	10 bps (Capped at RM 1000)

- Time restriction: 16:45

**PHILLIPINES**

- Off market / on exchange transfer is supported via onshore brokers
- Transfer will be printed on tape
- Ideally both sides use the same broker
  - If client/counterpart has different broker, MS will need to confirm they are set up to trade with the client's broker
- PHP FX cannot be netted

Transfer price	Market charges	Time restriction
Between bid/ask quote	Buy trade: 4 bps Sell trade: 64 bps	15:15

**THAILAND**

- Off market / on exchange transfer is supported
- Transfer will be printed on tape
- Transfers with minimum notional of THB 3mn or size of 1mn shares will be marked as "Trade Report – Big Lot"
- Transfers with notional less than THB 3mn or less than 1mn shares:
  - Foreign shares will be marked as "Trade Report – Foreign"
  - Local / NVDR shares will be marked as "Trade Report – Off-Hour" and can be transferred after market close till 17:00 at closing price or VWAP
- VAT costs will be passed on to clients trading on cash, but exempted from clients trading on swap
- Free of Payment (FOP) cross vs USD is possible (off market and off exchange) for crossing (additional setups and checks may be required for FOP cross, please contact your MS representative)

Transfer price	Market charges	Time restriction
Within daily range	0 bps	18:00

## INDIA

- On market and on exchange transfer is required
- Transfer will be printed on tape
- Transfers can be executed within 2 block windows
- 1<sup>st</sup> block window (8:45 to 9:00)
  - Minimum size: 100mn INR
  - Max transfer: +/- 1% away from previous close price
- 2<sup>nd</sup> block window (14:05 to 14:20)
  - Minimum size: 100mn INR
  - Price: +/- 1% away from VWAP of 13.45 to 14:00
- Transfers on block window as well as on market trades over 0.5% of shares outstanding will be reported on the exchange website

Transfer price	Market charges	Time restriction
Listed above	10 bps per side of the trade	18:00

- Swap to swap transfers may not be permitted
- Buying and selling of FX will occur on different value dates

## VIETNAM

- Off market and on exchange (reported through the block trading facility) transfer is required
- Morgan Stanley does not support off market / off exchange crossing
- Transfer will be printed on tape

Transfer price	Market charges	Time restriction
Within daily range	Buy trade: 0 bps Sell trade: 10 bps	16:00

## CONTACTS

- General enquiries: [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com)
- Transfer requests: [fpghk\\_transfers@morganstanley.com](mailto:fpghk_transfers@morganstanley.com)



# Delta One Structured Products

## Custom Basket Solutions and Synthetic Index

### GENERAL CONSIDERATIONS

- The Custom Basket / synthetic Index product enables investors to gain long or short exposure to multiple markets, sectors, and market segments in a single trading instrument
- Morgan Stanley offers two types of Basket/Index swaps:
  - Total Return Swaps
    - o Price Return Basket/Index Performance
    - o Applicable Dividends
    - o Financing
  - Price Return Swaps
    - o Total Return Basket/Index Performance.
    - o Financing
- The Cross Product team has created the Morgan Stanley Asia Custom Basket Launchpad, which is a comprehensive view of sector, factor, and top 10 thematic baskets across several key Asian markets  
Please contact [crossproductasiasales@morganstanley.com](mailto:crossproductasiasales@morganstanley.com) to request access to the Launchpad
- If we do not have an off-the-shelf solution that suits your needs the solution can be tailor made as follows:
  - Client selection
  - MSA2: Morgan Stanley Analytics
  - Quantitative and Derivative Strategies analysis
- Custom basket prices and details can be available on Bloomberg, Reuters and Factset.

### TRADING

- Basket orders are placed via FIX
- The basket trading desk will be responsible for adhering to the appropriate local regulations on order management

### ORDERS TYPES

We can support the following Custom Basket order types, utilizing the MS Algo offering

- **VWAP:** Minimize slippage relative to expected historical volumes of basket components
- **TWAP:** Trade at even pace over a period of time
- **TPOV:** Target percentage of volume for basket by computing historical time required for completion and trade basket slices evenly over computed time
  - Effectively, Basket TPOV is TWAP execution over expected time to completion
- **Arrival Price:** Minimize impact relative to mid-point at the instant just prior to commencing the order
- **Target Close:** Target closing price while specifying auction and continuous participation rates independently

In the event that a basket order is cancelled ahead of completion there will likely be a small delay in getting the final price for Arrival and VWAP orders to ensure that a clean basket slice is executed.

### FX CONSIDERATIONS

- The FX applicable is determined during the same time frame as that for single stock swaps, on a reasonable endeavors basis
- In currency swaps and out of currency swaps are available upon request. Availability is consistent with our single name offering.
- Multi Market and Out of CCY swaps will result in the client taking the following FX position:
  - Long position in Basket/Index = Long Equity performance plus Long Local Currency/Short USD position
  - Short position in Basket/Index = Short Equity performance plus Short Local Currency/Long USD position

### BASKET REBALANCE

- Clients have full discretion to rebalance their baskets
- The client will provide the suggested rebalance. Morgan Stanley will confirm acceptance of this and execute the rebalance based on the client instructions
- Morgan Stanley will reflect the rebalance as a Full Close out and Open, charging commission on the traded notional only
- The rebalance mechanic and calculation is detailed in a separate supplement

### SWAP REPORTING

- Indices will use the official close price
- The daily valuation for baskets will be the official close price of all of the securities multiplied by the applicable FX rate. This valuation will be published to external vendors on a real time basis
- A product description will be sent to clients on t+1 providing an overview of the basket that they have exposure in
- Swap reporting will provide information on daily mark to market, applicable dividend points, financing and security exposures

### CORPORATE ACTIONS

- A high level overview of the application of corporate actions will be in the product description and can be referenced in the Appendix. For more details, please contact [crossproductasiasales@morganstanley.com](mailto:crossproductasiasales@morganstanley.com)

### SWAP DOCUMENTATION REQUIRED

- Standard ATS, ISDA, Credit Support Annex (CSA)
- If trading baskets containing China A or Stock Connect names, additional documentation is needed. Contact [chinanewclient@morganstanley.com](mailto:chinanewclient@morganstanley.com) for more information

## Developed Asia

Morgan Stanley

# Delta One Structured Products

## Australia Swap Overview



### MARKET CONVENTIONS

- **Exchanges:** Australia Stock Exchange (ASX)
- **ATS:** Chi-X Australia (CXA)
- **Primary indices:** All Ordinaries Index (AS30) and S&P/ASX 200 Index (AS51)
- **Continuous exchange hours:** AM 10:00 AM – PM 4:00
- **Time zone:** Australian Eastern Standard Time (AEST), GMT+10
- **Daylight Saving:** First Sunday in October to first Sunday in April. Australian Eastern Daylight Time (AEDT), GMT+11

Period	Duration	Main Features
Pre-Open	AM 7:00 - 10:00	- Allows new/amend/cancel - No matching
Open Auction	AM 10:00 - 10:10	- Opening price is calculated - Time will be adjusted for quarterly index expiry
Continuous Trading	AM 10:00 - PM 4:00	
Pre-Close	PM 4:00 - 4:10	- Allows new/amend/cancel - No matching
Closing Auction	PM 4:10 - 4:12	- Closing price is calculated
Adjust	PM 4:12 - 4:42	- Allows amend/cancel only - No new orders
Adjust ON	PM 4:42 - 6:50	- Same as Adjust

- MS only participates in the closing auction at ASX, and not at CXA
- **Round lot size:** 1 share
- **Day trading:** Permitted
- **Standard FX timing:** MS will execute FX soon after the equity market close. Early FX execution is available upon request
- **Equity Settlement Cycle:** T+2

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Stock and index futures
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	
Algo suite	Full	Partial	
Speedway	Yes	-	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	Yes	Yes	
<b>Tax considerations</b>			
Dividends	Generally no withholding tax holding long position on swap (if both AU domiciled and listed).		
<b>Other</b>			
Give-Ins	Yes	-	
IPOs and secondary placements	Yes	-	Please contact MS. Deal specific.

### MARKET EQUIVALENT CHARGES

- No transaction costs

### INDEX/CUSTOM BASKET

- **Key indices:** S&P/ASX 200 (AS51), S&P/ASX 300 (AS52), All Ordinaries (AS30), MSCI Australia (MXAU)
- Custom and sector baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Covered short sales are permitted on a list of designated Regulated products
- Exchange requires tagging long sell/short sell accurately on all orders
- When trading on MS swaps, our stock lending desk is able to source supply from onshore lenders, offshore lenders, strategic joint ventures and exclusive arrangements across the entire region
- MS has dedicated stock loan specialists in Australia, please contact [sl\\_hf\\_asia@morganstanley.com](mailto:sl_hf_asia@morganstanley.com) further information

### CROSSING CONVENTIONS

- **On exchange:** Cross must be at or within current National Best Bid and Offer (NBBO)
- **Off exchange:** Special/Block crossing with minimum amounts that vary across tiers
  - Tier 1: AUD 1mn
  - Tier 2: AUD 500k
  - Tier 3: AUD 200k, Commonwealth Government Securities (CGS) depository interests \$200k AUD

### CORPORATE ACTIONS

- Typical market specific observations:
  - Long franked dividend and priority offer are not offered
  - Share purchases plans are not offered
- **Tax considerations on dividend:**
  - Long position on swap generally entitled to 100% dividend if AU domiciled
  - Regulations under Section 871(m) of the U.S. tax code imposes a withholding tax of up to 30% on "dividend equivalent payments" received by non-U.S. persons through certain equity swaps and equity-linked instruments over U.S. domiciled equities.
    - Such withholding commenced on transactions entered into on or after January 1, 2017.
    - Currently, Morgan Stanley offers 100% dividend entitlement on long swap positions over Australian-listed, U.S. domiciled equities.
    - Additionally, a blended withholding rate will be applicable based on the swap holder's domicile and tax status
  - Short position may be subject to higher charge depending on borrow source
    - Offshore: 100%
    - Domestic: 142.86% if fully franked

## ○ REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** Investors must inform ASX immediately if
  - They have ownership or control of voting power  $\geq 5\%$  of a listed body, and at every subsequent 1% changes until below 5% again.
  - Disclosure includes: legal entity, % interest level, and relevant agreements covering the position or trading activity involved
- **Short position reporting:** short sellers must report to the Australian Securities and Investments Commission (ASIC) by 9am 3rd business day, if the short position  $\geq 100k$  AUD or  $\geq 0.01\%$  of the total issued shares (net basis but not across entities).
  - This information will be released to the market in aggregate form on T+4 by ASX
- MS is responsible for MS hedge disclosure and reporting

## CIRCUIT BREAKER

- No market-wide circuit breaker
- Individual stocks may be halted for market-sensitive announcements or at the issuer request

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Short sell positional reporting  
<https://asic.gov.au/regulatory-resources/markets/short-selling/short-position-reports-table/>
- Shareholding disclosure requirements  
<https://download.asic.gov.au/media/4798272/rg-58-published-03-july-2018.pdf>
- Market hours/exchange web site  
<http://www.asx.com.au/about/trading-hours.htm>

Morgan Stanley

# Delta One Structured Products

## Hong Kong Swap Overview



### MARKET CONVENTIONS

- **Exchange:** Hong Kong Stock Exchange (HKSE)
- **Primary indices:** Hang Seng Index (HSI), S&P/HKEx Large Cap Index (HKSPCL25), S&P/HKEx GEM Index (HKSPGADV), MSCI indices
- **Continuous exchange hours:** AM 9:00 - 12:00; PM 1:00 - 4:00
- **Time zone:** Hong Kong Time (HKT), GMT+8

Period	Duration	Main Features
Pre-Open	AM 9:00 - 9:15	- Allows new/amend/cancel
Pre-Order Matching	AM 9:15 - 9:20	- Allows new - No amend/cancel - Only at-auction order
Order Matching	AM 9:20 - 9:28	- No new/amend/cancel - Unmatched auction limit order will convert as limit order and be carried forward to the AM session - Unmatched auction order will be cancelled
Blocking	AM 9:28 - 9:30	• No new/amend/cancel
Continuous Trading AM	AM 9:30 - PM 12:00	
PM Pre-Open	PM 12:30 - 1:00	• Allows amend down/cancel • No new order
Continuous Trading PM	PM 1:00 - 4:00	
Closing Auction	PM 4:00 - 4:10	- 4:00-4:01 – Reference price will be calculated (median of 5-snapshot nominal prices in the last minute). No new/amend/cancel at this time. - Limit orders with $\pm 5\%$ from Reference price will be carried forward to closing auction - 4:01-4:06 – Allows new/amend/cancel - 4:06-4:08 – No amend/cancel. Allows new orders with price limit within the lowest ask and highest bid - 4:08-4:10 – All stocks close at same random time during this period

- **Round lot size:** Varies (usually 400, 500, 1000 or 2000)
- **Odd lots:** There is no exchange board that supports odd lots. They are only traded by facilitation at a premium/discount to the market
- **Maximum order size:** 3000 lots
- **Day trading:** Permitted
- **Standard FX timing:** MS will execute FX soon after equity market close. Early FX execution available upon request
- **Half Day Trading:** Auction PM 12:00 -Random Close (PM 12:08 – 12:10)
- **Equity Settlement Cycle:** T+2

### MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
SFC Transaction Levy	0.27	0.27
Exchange Trading Fee	0.50	0.50
Stamp Duty	10	10
Investor Compensation Levy*	0	0
<b>Total</b>	<b>10.77</b>	<b>10.77</b>

\*The collection of Investor Compensation Levy of 0.2bps per side has been suspended by the SFC since Dec 2015

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Stock and index futures, listed options
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	
Algo suite	Full	Partial	
Speedway	Yes	-	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	Yes	Yes	
<b>Tax considerations</b>			
Dividends	10% Chinese withholding tax on China H shares and some Red Chips and P-Chips		
<b>Other</b>			
Give-Ins	Yes	-	
IPO on swap	Yes	-	Deal specific. Not available on swap if MS is acting as a book runner
Secondary placements	Yes	-	Deal specific.

### SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Covered short sales are permitted on a list of designated securities
- HKSE publishes a short sell eligible stock list that is revised on a quarterly basis
- Exchange requirement to tag long sell/short sell accurately on all orders
- **Tick rule:** Short sale orders cannot be placed below the best current ask price
- Odd lot trading is not supported for short sale orders
- Short sales would not be permitted in the premarket, tentatively starting in the 2<sup>nd</sup> half of 2020

### CROSSING CONVENTIONS

- On exchange by default and off exchange on exception basis
- Price must be between the lower of the previous closing price and the lowest bid/ask price, and the higher of the previous closing price or the highest bid/ask price
- Crossing must be reported within 15 minutes
- Stamp and markets charges are applicable on both sides

### INDEX/CUSTOM BASKET

- **Key indices:** Hang Seng Index (HSI), Hang Seng China Enterprises Index (HSCEI), Hang Seng China H-Financials Index (H-FIN), Hang Seng Properties Index (HSP), MSCI Hong Kong Index (MXHK)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad



## CORPORATE ACTIONS

- **Dividends**
  - There is generally no withholding tax on dividends, except:
    - H-shares - incorporated in Mainland China – MS offers long position sat 90% dividend entitlement on taxable distributions
    - Red chips - not incorporated in Mainland China, but controlled by Mainland Government entities, listed in HK
    - P-Chips - Chinese companies that are not incorporated in Mainland China, not state owned
    - Red chips and P-chips are subject to withholding based on company announcements of tax residency status
- **Stock splits and reverse splits**
  - Shares will trade on a temporary code from ex-date for a set period, generally two weeks in parallel, and then will move back to the original stock code
- **Tender offers**
  - Stamp duty is applicable on all tender offers in HK

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** SFC ordinance Part XV specifies that substantial shareholders must disclose their interest, short position and voting shares:
  - A substantial shareholder has ≥5% interest in voting shares of a listed organization. This includes all equity and equity derivative holdings, including swap
  - MS has trading controls to prevent threshold breaches and is responsible for MS hedge disclosure and reporting. However, **clients are responsible for reporting if their combined holdings [across swap and cash] of an individual company reach 5%. Clients should seek their own legal advice**
- **Short position reporting:** Weekly reporting to SFC required if:
  - Net short positions ≥0.02% of issued share capital or notional ≥\$30mm HKD, whichever is lower
  - Continuous reporting is required until the short position falls below the reporting threshold
  - All short sell eligible securities published on HKSE website
- MS is responsible for MS hedge disclosure and reporting

## ITALIAN FINANCIAL TRANSACTION TAX (IFTT)

- Transactions on Prada SpA (1913 HK) and its derivative products (including swaps) are subject to the Italian Financial Transaction Tax (IFTT), which charges 10 bps tax on the net daily on exchange purchase, 20 bps tax on OTC purchase (eg. Off market cross, give up trades) and a progressive tax on derivative product varying from 0.25 EUR to 200 EUR per trade depending on size
- MS is responsible for collecting the tax from clients on equity swap transactions, and will also be withholding from clients to cover MS's tax liability
- Clients trading MS basket swaps will only be impacted if the Italian names comprise more than 50% of the reference notional of the basket

## CIRCUIT BREAKER

- **Individual stocks/futures contracts** - Volatility Control Mechanism (VCM) triggers if a stock/contract is ±10%/±5% away from the last traded price in a 5 minute rolling period.
  - Effective from 22 August 2016
  - 5 minutes cooling off period starts, triggered instrument only allowed to trade within ±10%/±5% price limit from reference price, i.e. Last traded 5 minutes ago
  - Monitoring period excludes:
    - First 15 minutes for both morning and afternoon session
    - Last 20 minutes in afternoon session
  - Can only trigger once in each continuous trading session
  - Instruments in scope:
    - **Stocks:** HSI & HSCEI constituent stocks (currently 81 stocks)
    - **Derivatives:** HSI Futures (HSI), Mini-HSI Futures (MHI), Mini H-shares Index Futures (MCH) spot month and the next calendar month contracts (currently 8 contracts)
- No market wide circuit breaker

## SWAP DOCUMENTATION REQUIRED

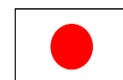
- Hong Kong short-sell side letter of consent (only required for DMA execution)
- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Market hours/exchange web site  
<https://www.hkex.com.hk/>
- Stocks Eligible to short sell  
[https://www.hkex.com.hk/eng/market/sec\\_tradinfo/dslist.htm](https://www.hkex.com.hk/eng/market/sec_tradinfo/dslist.htm)
- Disclosure Requirements  
<http://www.sfc.hk/web/EN/rule-book/sfo-part-xv-disclosure-of-interests/>
- Short position reporting  
<http://www.sfc.hk/web/EN/regulatory-functions/market-infrastructure-and-trading/short-position-reporting/>
- Transaction Costs  
[https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Securities-\(Hong-Kong\)/Trading/Transaction?sc\\_lang=en](https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Securities-(Hong-Kong)/Trading/Transaction?sc_lang=en)

## Delta One Structured Products

## Japan Swap Overview



## MARKET CONVENTIONS

- **Exchange:** Japan Exchange (JPX): TSE1, TSE2, Mothers, JASDAQ
- **Proprietary trading system (PTS):** Chi-X Japan, SBI Japan Next
- **Regional exchanges** (Available on MS swaps via High Touch): Fukuoka, Nagoya and Sapporo Stock Exchanges
- **Primary indices:** Nikkei225 (NKY), TOPIX(TPX), JPX400(JPNK400)
- **Continuous exchange hours:** AM 9:00 - 11:30; PM 12:30 - 3:00
- **Time zone:** Japan Standard Time (JST), GMT+9

Period	Duration	Main Features
Pre-Open AM	AM 8:00 - 9:00	- Allows new/amend/cancel - No matching, open price is calculated ~9:00
Continuous Trading AM	AM 9:00 - 11:30	- Allows new/amend/cancel
Pre-Open PM	PM 12:05 - 12:30	- Allows new/amend/cancel - No matching. Open price is calculated ~12:30
Continuous Trading PM	PM 12:30 - 3:00	- Allows new/amend/cancel

- **Price calculation:** Opening and closing price are calculated using Itayose Method (i.e. maximizes the traded volume and minimizes the untraded volume according to the price and time priority rule)
- **Round lot size:** 100 shares for common equities. ETFs: no standard (1, 10, 100, 1000 shares). REITs and Infrastructure Funds: 1 share
- **Odd lots:** There is no exchange board for odd lots. They are only traded by facilitation at a premium/discount to the market
- **Limit up/down:** Ranges between specific bands as set by the exchange, based on previous close price
- **Day trading:** Permitted
- **Standard FX timing:** MS will execute FX soon after equity market close. Early FX execution available upon request
- **Equity Settlement Cycle:** T+2
- **Circuit breaker:** No market-wide circuit breaker

## MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	No	
Algo suite	Full	No	
Speedway	Yes	-	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	Yes	Yes	
<b>Tax considerations</b>			
Dividends	90% entitlement on swap longs		
<b>Other</b>			
Give-Ins	Yes	-	
IPOs and secondary placements	Yes	-	Needs to be undertaken as a cash placement initially, can be moved to swap on listing date

## MARKET EQUIVALENT CHARGES

- No transaction costs

## SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Exempted short sales are not permitted
- Located short sales are permitted
- Exchange requires tagging long sell/short sell accurately on all orders
- **Tick rule:**
  - Triggers once the stock price falls by 10% from the base price and lasts until the end of the next trading day
  - Short sale price must be placed above the last traded price
- **Japan Stock Loan market total size** is estimated at ~\$110Bn (DataLend 2019)
- The average borrow rate in Japan is ~1%, median ~0.75%
- **Borrow universe:** 55% of the available names are GC (below 50bps borrow cost), 25% Off-GC (between 50bps and 500bps borrow cost), 20% Hard-to-borrow (over 500bps borrow cost)
- The MS Stock Loan desk leverages Morgan Stanley's JV with Mitsubishi UFJ Financial Group to give breadth and depth of Retail supply across the market-cap scale

## CROSSING CONVENTIONS

- Two methods for crossing between cash and swap:
  1. Off market, on exchange (ToSTnet)
    - Available from AM 8:20 – PM 5:30 JST
    - Single stocks: Price must be within  $\pm 7\%$  of market price, cannot cross odd lots
    - Basket orders: 15 names or more and notional >100mn JPY
  2. Off market, Off exchange – Shijogai (JSDX) crossing
    - Crosses must be reported within 5 minutes
- **Takeover bid rules and restriction (TOB Policy):** Under TOB policy, the concerned names are restricted from OTC crossing (JSDX) and need to be crossed on exchange (ToSTnet)
  - Odd lots are not supported
- **FX considerations:** may be crossed in both JPY and USD

## CORPORATE ACTIONS

- **Cash dividends**
  - MS swaps offers long positions a 90% dividend entitlement on taxable distributions
- **Stock splits**
  - Pay date is generally 3 business days after ex-date. Stocks can be traded at the post-split amount on ex-date
- **Subscription offers**
  - No pre-funding required
- **Merger and stock exchange**
  - Stock can only be traded on pay date
- **Stock exchange cash payments**
  - Payment not announced in advance, usually pays 3 months after ex-date

## INDEX/CUSTOM BASKET

- **Key indices:** Nikkei225 (NKY), TOPIX (TPX), JPX400 (JPNK400), MSCI Japan Index (MXJP)
- Custom and sector/thematic baskets are available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** Investors are required to disclose ownership within 5 days if:
  - Ownership  $\geq 5\%$  of the outstanding shares, and again at every subsequent 1% changes until below 5% again
- **Short position reporting:** Investors are required to report to the exchange when:
  - Net short positions  $\geq 50$  lots and  $\geq 0.2\%$  of the shares outstanding
  - Net short positions  $\geq 0.5\%$ , public disclosure is also required
  - Any position change  $\geq 0.1\%$  of the shares outstanding must be reported
- MS has trading controls to prevent threshold breaches on swap hedges
- MS is responsible for MS hedge disclosure and reporting

## ELECTRONIC TRADING (MSET)

- **HFT investors** are required to register with the JFSA (effective since April 2018).
- Morgan Stanley offers a **full suite of execution platforms**, all available for Swap trading, where HFT registration can be in or out of scope
- **Multi-PMs platform** access is supported
- **Latency:** from milliseconds to nanoseconds
- Access to SOR, Pools, PTS & Algos
- **Algos:** MS Algos offering is entirely available for Swaps trading
- **SORT** provides routing access to both lit and non-lit liquidity, NIGHT VISION to non-lit liquidity only
- **MS POOL** matches are done within best prevailing bid/offer (mid), and crossed on ToSTNeT
- **MS Pool prioritization:** Price/Category/Size/Time
- **MS Trajectory Cross** provides internal crosses over scheduled intervals for eligible orders, at iVWAP, via MS Algos

## RECENT MARKET & REGULATORY DEVELOPMENTS

- **Potential Tightening of Foreign Investment Regulations:** MS Japan Equity Strategy report suggests that Japan may lower the threshold for foreign investment in sensitive sectors from 10% to 1%. Implementation details will prove key to its overall impact and burden, and may not emerge until later this year.
- **TSE Tradable Float Cutoff:** the TSE is planning restructure the Cash Equity market, targeting April 2022. This will reduce the number of market segments from 5 currently to 3 new market segments (Source: JPX website).

## MS QUANT RESEARCH & STRATEGY

- Some Japan related publications by **MS Quant Research:**
  - **QuantETF:** BoJ's ETF purchase program and its impact on liquidity
  - **QuantTopix:** Japan specific Factors (Laggard, Value, Quality)
  - **Dispersion Indicator:** Divergence in overall market dispersion vs. intra-sector/idiosyncratic dispersion
  - **Power of Words:** Machine learning Sentiment indicator
- **MS Quantitative Derivative Strategy (QDS)** produces recurrent reports on: Flows, Factors, Market Color & Ideas, Uridashis, etc. QDS also maintains a suite of Custom Indices (BBG screen upon request)

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange web site  
<http://www.jpx.co.jp/english/>
- Market and trading hours  
<http://www.jpx.co.jp/english/derivatives/rules/trading-hours/index.html>
- Disclosure requirement – Short position reporting  
<http://www.jpx.co.jp/english/markets/public/short-selling/01.html>
- Uptick rule  
<http://www.jpx.co.jp/english/equities/trading/regulations/02.html>
- Limit up/down price bands  
<https://www.jpx.co.jp/english/equities/trading/domestic/06.html>

# Delta One Structured Products

## Singapore Swap Overview



### MARKET CONVENTIONS

- **Exchange:** Singapore Stock Exchange (SGX)
- **Primary indices:** Straits Times Index (STI) and MSCI Singapore (MXSG)
- **Continuous exchange hours:** AM 9:00 – 12:00; PM 1:00 – 5:00
- **Time zone:** Singapore Standard Time (SST), GMT+8

Period	Duration	Main Features
Opening Routine	Pre-Open*: AM 8:30 - 8:58/59 Non-Cancel: AM 8:58/59 – 9:00	- Allows new/amend/cancel - Order matching
Continuous Trading AM	AM 9:00 - PM 12:00	- Queue in order of price and time - Orders continue to PM session
Mid-Day Break	Pre-Open*: PM 12:00 - 12:58/59 Non-Cancel: PM 12:58/59 – 1:00	• Allows new/amend/cancel • Order matching
Continuous Trading PM	PM 1:00 - 5:00	- Queue in order of price and time
Closing Routine	Pre-Close*: PM 5:00 - 5:04/05 Non-Cancel: PM 5:04/05 – 5:06	• Allows new/amend/cancel • Order matching
Trade at Close	PM 5:06-PM 5:16	
Close	PM 5:16	• orders to be matched at closing price

- Half day Trading: market closes mid-day several times per year  
Pre-Close: PM 12:00 - 12:05  
Non-Cancel: PM 12:04/05 – 12:06  
Close – PM 12:16pm (half-day trading)

#### \*Pre-Open/Close phase

- Ends randomly at any time within this one minute window and the Non-Cancel phase begins immediately after to calculate open/close price
- Unmatched orders (opening routine and mid-day break) will be carried forward to next trading phase while unmatched orders (closing routine) will lapse
- **Round lot size:** 100 units with the exception of ETFs, ADRs and fixed income instruments
- **Odd lot:** There is an odd lot board. Odd lots are generally bought at premium and sold at discount. **Day trading:** Permitted
- **Standard FX timing:** MS will execute FX after equity market close
- **Equity settlement cycle:** T+2

### MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
Clearing Fee	3.25	3.25
Trading Fee	0.75	0.75
<b>Total</b>	<b>4</b>	<b>4</b>

### INDEX/CUSTOM BASKET

- **Key Indices:** Straits Times Index (STI) and FTSE ST All Share Index (FSTAS), MSCI Singapore Index (MXSG)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Stock and index futures including MSCI indices until Feb 2021
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	
Algo suite	Full	Partial	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	Yes	Yes	
<b>Tax considerations</b>			
Dividends	No withholding tax, deducted at source by company 90% entitlement for taxable portion on swaps over REITs		
<b>Other</b>			
Give-Ins	Yes	-	
IPOs and secondary placements	Deal specific. Please contact MS.	-	

### SHORT ACCESS CONSIDERATIONS

- No uptick rule applicable for short sell orders
- Naked short sales are not permitted
- Covered short sales are permitted on a list of designated securities
- Exchange requirement to tag long sell/short sell accurately on all orders
- Sellers must ensure there are sufficient securities in their Central Depository (Pte) Ltd (CDP) on T+2 to fulfill the delivery obligation
- Market participants are expected to split sell orders, where they do not own the full quantity of securities to be sold, into two separate orders
- In the event of a failure to deliver shares by PM 1:30 on T+2, forced buy-in occurs that afternoon. MS Stock Loan monitors delivery obligations closely and buy-ins have been rare. MS also has trading controls to prevent oversell of long swap positions on a client level.

### CROSSING CONVENTIONS

- On exchange and off exchange crossing is available
  - **On exchange:** Minimum 50,000 shares or 150,000 SGD. Crosses during trading hours must be reported on the exchange within 10 minutes
  - **Off exchange:** Crosses after trading hours must be reported within the first 20 minutes of open on the following trading day
  - Trades have to be reported through the married trade reporting system.
- Clearing costs
  - Applicable on both sides of the cross
  - An additional 1.5bps transfer levy for off exchange crosses is imposed subject to a min of 75 SGD

## CORPORATE ACTIONS

- Foreign dividend reinvestment plans on REITs – the dividend distribution is typically divided into 4 components:
  - Taxable income component
  - Tax-exempt income component
  - Capital component (non-taxable)
  - Other gains component (non-taxable)
- Holders who opt for the share option for the dividend will receive shares on swap based on the net dividend amount of the taxable component, and the gross dividend amount of the non-taxable components.
- MS offers long REITs positions a 90% dividend entitlement on taxable distributions

## FOREIGN OWNERSHIP THRESHOLDS

- Foreign Ownership Limit (FOL) for certain sectors like, Banks, Insurance, Finance, exchange, clearing house, newspaper, broadcasting, aviation, Telecom is 5%.

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** Investors must disclose ownership within 2 business days:
  - Ownership  $\geq 5\%$  of the outstanding shares, and every subsequent 1% increment
  - MS has trading controls to prevent threshold breaches on MS swap hedge and is responsible for MS hedge disclosure and reporting
- **Short position reporting:** Each week, investors must disclose to the Monetary Authority of Singapore (MAS) short positions that reach or exceed the lower of:
  - 0.2% of total issued shares in the relevant class of shares or units; or
  - 2,000,000 SGD
  - MS will undertake position reporting on swap hedges.
  - The short position, regardless of whether settlement has occurred by reporting date, should be calculated on position day. Position day means the last trading day of each calendar week (typically a Friday)
- MS is responsible for MS hedge disclosure and reporting

## CIRCUIT BREAKER

- *Instrument specific:* The circuit breaker is activated when an incoming order that could potentially match an existing order with price  $\pm 10\%$  of the last price in a rolling 5 minute window during continuous trading phase. This does not apply to the auctions and first trading day of newly listed instruments.
  - Once the 5 minute cooling off period starts, the triggered instrument can trade within  $\pm 10\%$  price limit from reference price, i.e. the last traded price from 5 minutes ago
  - Orders with a price that is greater than  $\pm 10\%$  of the last reference price will be rejected during the cooling period
  - When an instrument is subject to cooling-off period, SGX may impose a trading halt on the associated security or futures contracts. This includes structured and company warrants
  - The circuit breaker covers: Stocks, stapled securities, funds, ETFs and ETNs with a first reference price at or exceeding \$0.50; and STI and MSCI Singapore index component stocks

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Market hours/exchange web site  
<https://www2.sgx.com/securities/trading>
- SGX Historical Short Sell Data  
<https://www2.sgx.com/research-education/securities>
- MAS Short Position Reports  
<https://eservices.mas.gov.sg/sprs/Public/Publication/ViewAggregatedReports.aspx>
- Circuit Breaker  
<http://rulebook.sgx.com/rulebook/814-circuit-breakers-and-cooling-periods>



# Delta One Structured Products

## New Zealand Swap Overview



### MARKET CONVENTIONS

- **Exchanges:** New Zealand Exchange (NZX), NZ Stock Market (NZSX)
- **Primary indices:** S&P/NZX 50 (NZFE50FG)
- **Continuous exchange hours:** AM 10:00 – PM 4:45
- **Time zone:** New Zealand Time (NZT), GMT+12
- **Daylight Saving:** Last Sunday in September first Sunday in April.  
New Zealand Daylight Time (NZDT), GMT+13

Period	Duration	Main Features
Pre-Open	AM 9:00 - 10:00	<ul style="list-style-type: none"> <li>- Allows new/amend/cancel</li> <li>- Order matching with a randomized start time to calculate the open price</li> </ul>
Continuous Trading	AM 10:00 - PM 4:45	
Closing Auction	PM 4:45 - 5:00	<ul style="list-style-type: none"> <li>- Allows new/amend/cancel</li> </ul>
After Hours	PM 5:00 - 5:30	<ul style="list-style-type: none"> <li>- Allows cancel only</li> <li>- Auction matching at 5:30</li> </ul>

- **Round lot size:** 1 share
- Program trading and basket order execution is available
- **Standard FX timing:** MS will execute FX soon after equity market close. Early FX execution is available upon request
- **Day trading:** Permitted
- **Equity Settlement Cycle:** T+2

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	-	
Long/Short	Long/Short	-	
<b>Execution platform</b>			
Voice and PT	Yes	-	
MSET	Yes	-	
Algo suite	None	-	
<b>Swap currency</b>			
USD	Yes	-	
Local	Yes	-	
<b>Tax considerations</b>			
Dividends	<ul style="list-style-type: none"> <li>• 30% for dividends paid to the extent that they are not fully-imputed;</li> <li>• 15% for fully-imputed dividends paid to non-residents;</li> <li>• 0% for fully-imputed dividends where non-resident holds ≥10% voting rights in the company</li> </ul>		
<b>Other</b>			
Give-Ins	Yes	-	
IPOs and secondary placements	Yes	-	Please contact MS. Deal specific.

### MARKET EQUIVALENT CHARGES

- No transaction costs

### CIRCUIT BREAKER

- No market-wide circuit breaker

### INDEX/CUSTOM BASKETS

- **Key indices:** S&P/NZX 50 (NZFE50FG), S&P/NZX 15 (NZSX15G)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Covered short sales are permitted on a list of designated securities
- Exchange requires tagging long sell/short sell accurately on all orders
- **Note:** Where MS discloses a relevant interest of 5% or more in a security, any client short swap position will also be included in the detail of the disclosure as per regulatory requirements

### CROSSING CONVENTIONS

- **On exchange:** Price should be between bid and ask quotes
- **Off exchange:** Special crossing for minimum amounts of 1mn NZD

### REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:**
  - Investors must inform the Financial Markets Authority (FMA) immediately if they have ownership or control of voting power ≥5% of a listed body, and at every subsequent 1% changes until below 5% again.
  - Disclosure includes: legal entity, % interest level, and relevant agreements covering the position or trading activity involved
- **Short position reporting:**
  - No short position reporting requirement
  - There is a requirement that any short-sale must be flagged by the "Trading Participant" as such in the trading system but this information will not be released other than in an aggregated form per issuer
- MS has trading controls to prevent threshold breaches on MS swap hedges
- MS is responsible for MS hedge disclosure and reporting

### LAND-RICH SECURITIES

- MS does not offer access to "land-rich" securities on swap in NZ
  - Land-rich stocks are defined as those deriving 50% or more of their value from immovable assets
  - The list of securities is reviewed on an regular basis, typically annually in June
  - Please contact your Morgan Stanley representative for the current list of stocks deemed land-rich

### SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

### FURTHER INFORMATION LINKS

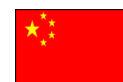
- Exchange Website  
<https://www.nzx.com/>

# Emerging & Frontier Asia

Morgan Stanley

# Delta One Structured Products

## China Stock Connect Swap Overview



### MARKET CONVENTIONS

- **Exchange:** Hong Kong Stock Exchange (HKSE), Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), ChiNext board (SZSE)
- **Symbology:** Shanghai stocks **.SH/C1**; Shenzhen stocks **.ZK/C2**
- **Primary indices:** Shanghai Stock Exchange 180 (SSE180), Shanghai Stock Exchange 380 (SSE380), SSE-HKEX A+H, and Shanghai Shenzhen CSI 300 (CSI300), SZSE Component Index
- **Continuous exchange hours:** AM 9:30 - 11:30; PM 1:00 - 3:00
- **Time zone:** China Standard Time (CST), GMT+8

Period	Duration	Main Features
Pre-open AM	AM 9:10 - 9:25	- Allows new - No cancels between 9:20-9:25
Pre-Order Matching	AM 9:25 - 9:30	- No new/amend/cancel
Continuous Trading AM	AM 9:30 - 11:30	- Orders not executed during pre-open will automatically enter this session
Pre-open PM	PM 12:55 - PM 1:00	- Allows new and cancels, but will not be processed until the PM session
Continuous Trading PM	PM 1:00 - 2:57	- No amend/cancel - Orders not executed during the continuous trading PM session will enter the closing auction
Closing Auction	PM 2:57 - 3:00	

- **Currency:** CNH (offshore CNY)
- **Market quota:** Daily quota of 52 bn RMB (~8bn USD) each for SSE and SZE. Aggregate quotas were discontinued in August 2016
- **Order type:** Limit orders only, no market orders, no order amendments, no block trading
- **Round lot size:** 100 (Odd lot trading only available on sales)
- **Odd lots:** Odd lots trade on the main board. Odd lots orders are allowed if full unwind of client's odd lot portion. Odd lot buy orders are not allowed.
- **Tick size:** RMB 0.01
- **Maximum size:** 1mn shares
- **Limit up/down:** ±10% from the previous close; ±5% for Special Treatment (ST) stocks
  - Buy orders will be rejected if the order price is lower than 3% of the current best bid/last traded price/previous close
- **Trading days:** Available when
  - Both HKSE and SSE/SZSE are open for business and,
  - Banking services for money settlement of both markets are open on the corresponding day (t+1 for China)
  - If HKSE is a half-day trading day, Northbound Stock-Connect will still be a full trading day
- **Closed loop system:** Shares bought through Stock Connect are not fungible with shares bought through QFII or RQFII.
- **Day trading:** Not allowed for foreign investors
- **Standard FX timing:** MS will execute FX soon after the equity market close. Early FX execution is available upon request
- **Equity Settlement Cycle:** T+0/T+1 non DVP
  - Shares settle t+0
  - Positions must be funded on t+0 in order to sell t+1
  - Proceeds from cash sales only available on t+1

### CIRCUIT BREAKER

- **Market-wide:** The broad market circuit breaker has been suspended since January 2016.

### STOCK CONNECT OR QFII

- **Morgan Stanley recommends trading A-Shares via Stock Connect, and not via QFII**
- **QFII limitations:** Due to the requirement to inject CNY into the QFII prior to trading, large purchases should be discussed with the Morgan Stanley Swaps Desk prior to order placement
- **Better financing:** Generally, swap financing rates on Stock Connect will be lower than those on QFII
- **Tradable universe:**
  - Connect: SSE180, SSE380, SSE/SZSE-HKEX A+H SZSE Composite Index, SZSE Small and Medium Enterprise Innovative Index with daily average market cap not less than RMB6bn except recent IPOs, stocks under risk alert board, stocks not listed in RMB
  - For A-Shares, 80% of the investible market capitalization and 34% of names are available on Stock Connect platforms
  - All A-Shares are available via QFII

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	-	Offshore A50 index futures listed on SGX
Long/Short	Long/Short*	-	*Please contact MS for more information
<b>Execution platform</b>			
Voice and PT	Yes	-	
MSET	Yes	-	
Algo suite	Full	-	
<b>Swap currency</b>			
USD	Yes	-	
Local	Yes	-	
<b>Tax considerations</b>			
Capital gains	Capital gains tax was temporary suspended in November 2014 (circular 79, 81 & 127)		
Dividends	90% entitlement on cash and stock dividend on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	No	-	

\*please contact MS to discuss

### EQUITY OFFERING

- MS swaps only offer Mainland Chinese stocks ("Northbound")
- According to HKEx guideline, SZSE ChiNext Stocks may only be traded by institutional professional investors
- **Beneficial ownership change (BOC) check** - clients cannot have both buy and sell order for the same ticker in the market at the same time; all clients are in scope for Internalization Crossing Engine (ICE) crossing
  - ICE is not available during the opening call auction, if MS receives both buy and sell orders for the same ticker, the second order will be rejected

## MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
Handling Fee (SSE/SZSE)	0.487	0.487
Securities Management Fee (CSRC)	0.2	0.2
Transfer Fee (ChinaClear)	0.2	0.2
Transfer Fee (HKSCC)	0.2	0.2
Stamp Duty	0	10
Investor Compensation Levy*	0	0
<b>Total</b>	<b>1.087</b>	<b>11.087</b>

\*The collection of Investor Compensation Levy of 0.2bps is currently suspended and its reinstatement (if needed) will take effect upon announcement by the SFC.

## CASH VS SWAP CONSIDERATIONS

- BCAN ID required to trade on cash
- MS handles the settlement challenges of a t+0 settlement market

## SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Covered short sales are permitted on a list of designated securities
- Restriction on quantity to be short sold: 1% on a daily basis, 5% for a rolling period of 10 trading days (based on the total number of shares held in CCASS by all investors)
- **Tick rule:** Short sales cannot be placed below the best current ask price
- China Stock Connect is a no-fail market with mandatory buy-in on t+1
- Morgan Stanley offers short access via swap. Please contact your MS representative for more information

## FOREIGN OWNERSHIP THRESHOLDS

- MS will handle the shareholding checks & disclosure listed below on swap hedges

Applicable	Foreign Shareholding %	Requirement
China A,B,H and A/GDRs	5% (single investor)	- Investors must make a disclosure if 5% is crossed in either direction across all listing within 3 days and every additional 1% within 1 day - Subject to short swing profit rule
	10% (single investor)	- Single investor shareholding cannot exceed 10%
China A	26% (aggregate)	- The SSE/SZSE will publish a notice on its website daily and they monitor intraday
	28% (aggregate)	- Stock Connect will stop accepting buy orders for the relevant shares until aggregate foreign investor shareholding is below 26%
	30% (aggregate)	- SSE/SZSE will force investors to unwind within five business days on a last-in, first-out basis to bring the aggregate holding below 30%

## INDEX/CUSTOM BASKET

- **Index:** MSCI China Index (MXCN)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

## SWAP DOCUMENTATION REQUIRED

- Clients are required to agree supplemental tax and eligibility language in the ATS
- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## CORPORATE ACTIONS

- **Cash dividends**
  - MS swaps offer long positions a 90% dividend entitlement on taxable distributions
- **Rights issues / subscription offers**
  - Shares are suspended from trading between record date and ex-date, which is usually 7 days
  - Rights are non-tradable
  - The subscription period is usually very short, sometimes 1 day only
- **Stock dividends / Bonus issues**
  - Stock dividends that are distributed from a company's profits or retained earnings are subject to 10% withholding tax
  - Bonus shares that are distributed from a company's capital reserve are tax exempted
  - Stock dividends/Bonus issues typically pays (and tradable) on:
    - o ex-day for Shenzhen (ZK)
    - o ex-day +1 for Shanghai stocks (SH)
  - The withholding tax calculation method is as follows:
    - Entitled Position x Stock Dividend Ratio x Par Value x Tax Rate

## REGULATORY/DISCLOSURE CONSIDERATIONS

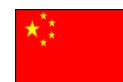
- China Banking Regulatory Commission (CBRC) issued an interim measure (the **Bank Equity Measures**) regarding significant holdings in PRC domestic commercial banks:
  - Ownership  $\geq 1\%$  of the voting shares, investors must provide a post-trade notice to the CBRC within 10 working days,
  - Ownership approaching  $\geq 5\%$  of the voting shares, investors require pre-clearance by the CBRC; such approval would be valid for 6months only
- The Bank Equity Measures apply by analogy to other financial institutions under the jurisdiction of the CBRC, including without limitation, micro-credit companies, trust companies, financial asset management companies, financial leasing companies, automobile financial companies, consumer financial companies. Reference list: <http://www.cbrc.gov.cn/chinese/jrjg/index.html>  
<http://www.cbrc.gov.cn/showindexlinks.do?s=dbi>
- The regulation applies to all (domestic and foreign) investors
- MS handles position reporting and ownership threshold monitoring on swap hedges. Please note, **clients are responsible for position reporting and ownership threshold monitoring on their aggregate positions across swap and cash, and across PRC domestic or foreign exchanges. Clients should seek their own legal advice on such matters**

## FURTHER INFORMATION LINKS

- Market hours/exchange web site  
[https://www.hkex.com.hk/News/HKEX-Calendar?sc\\_lang=en](https://www.hkex.com.hk/News/HKEX-Calendar?sc_lang=en)
- Stock connect eligible stocks  
[https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en)
- Disclosure Requirements  
<https://www.sfc.hk/web/EN/rules-and-standards/sfo-part-xv-disclosure-of-interests/>
- Short Swing Profit Rule  
<http://english.sse.com.cn/laws/framework/c/4547752.pdf>  
<http://www.szse.cn/English/rules/siteRule/P020181124401754468452.pdf>
- HKEX Info on Stock Connect  
[https://www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/Information-Book-for-Investors/Investor\\_Book\\_En.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/Information-Book-for-Investors/Investor_Book_En.pdf)
- Transaction Costs  
[https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Securities-\(Hong-Kong\)/Trading/Transaction?sc\\_lang=en](https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Securities-(Hong-Kong)/Trading/Transaction?sc_lang=en)

# Delta One Structured Products

## China QFII Swap Overview



### MARKET CONVENTIONS

- Exchanges:** Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), Star board (SSE), ChiNext board (SZSE), NEEQ (OTC)
- Symbology:** Shanghai stocks .SS/CS; Shenzhen stocks .SZ/CG;
- Primary indices:** Shanghai Stock Exchange 180 (SSE180), Shanghai Stock Exchange 380 (SSE380), Shanghai Shenzhen CSI 300 (CSI300)
- Continuous trading hours:** AM 9:30 - 11:30; PM 1:00 - 3:00
- Time zone:** China Standard Time (CST), GMT+8

Period	Duration	Main Features
Pre-Open	AM 9:15 - 9:25	- Allows new - No cancel between 9:20-9:25
Pre-Order Matching	AM 9:25 - 9:30	- No new/amend/cancel
Continuous Trading AM	AM 9:30 - 11:30	
Continuous Trading PM	PM 1:00 - 2:57	
Closing Auction	PM 2:57 - 3:00	• No amend/cancel

- Order type:** Limit orders only, no market orders
- Round lot size:** 100 (odd lot trading only available on sales), 1 for STAR board
- Min trading size:** 200 shares for STAR board
- Odd lots:** Odd lots trade on the main board. Odd lot orders are allowed if they are a full unwind of the client's odd lot position. Odd lot buy orders are not allowed.
- Limit up/down:** ±10% from previous close; ±20% for ChiNext; ±5% for Special Treatment (ST) stocks
  - First 5 days: No limit for Star Board/ChiNext, 44% for others
- Shares bought through QFII or RQFII are not fungible with shares bought through the Stock-Connect even though they trade on the same board
- Day trading:** Not allowed
- FX consideration:** No liquidity for orders against onshore FIX (CNYMINDEX). Offshore NDF market exists with significantly wider bid offer
- Equity Settlement Cycle:** T+0/1 non-DVP (T+3 for China B)

### STOCK CONNECT OR QFII

- Morgan Stanley recommends trading A-Shares via Stock Connect, and not via QFII**
- QFII limitations:** Due to the requirement to inject CNY into the QFII prior to trading, large purchases should be discussed with the Morgan Stanley Swaps Desk prior to order placement
- Better financing:** Generally, swap financing rates on Stock Connect will be lower than those on QFII
- Short access:** Short access is available via swap on Stock Connect, but QFII is long only
- Tradable universe:** With Shanghai-HK and Shenzhen-HK Stock Connect, for A-Shares, 79% of the investible market capitalization and 48% of names are available on Stock Connect platforms. All A-Shares are available via QFII

### SHORT ACCESS CONSIDERATIONS

- Short sell is not permitted for foreign investors
- Retail investors may be able to short eligible names

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	SGX listed FTSE China A50 index futures
Long/Short	Long	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	
Algo suite	Partial*	Partial	*See equity offering note
<b>Swap currency</b>			
USD	Yes	Yes	
Local	No	Yes	A50 contract trades in USD
<b>Tax considerations</b>			
Capital gains	Capital gains tax was temporary suspended in November 2014 (circular 79, 81 & 127)		
Dividends	90% entitlement on cash and stock dividend on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Yes	-	Online subscriptions method only

### EQUITY OFFERING

- Special note for all QFII Algos:
  - Only capture far side liquidity, to minimize cancellation rate
  - Will not slice out at limit down/up when selling/buying
- All China orders need to opt in for ICE crossing
- Beneficial Ownership Change (BOC) check**
  - Cannot have both buy and sell order of the same ticker in the market at the same time, all clients required to opt in to ICE
  - ICE is not available in auctions. If MS receives both buy and sell orders on the same ticker, the second order will be rejected

### MARKET EQUIVALENT CHARGES

- A shares (QFII) – Shenzhen and Shanghai**

Item	Buy (bps)	Sell (bps)
Exchange Levy	0.487	0.487
CSRC Levy	0.2	0.2
Transfer Fee	0.2	0.2
Stamp Duty	0	10.00
<b>Total</b>	<b>0.887</b>	<b>10.887</b>

- Exchange levy for QFII ETF/Convertible Bond**

Item	Buy (bps)	Sell (bps)
Shanghai Exchange ETF	0.45	0.45
Shenzhen Exchange ETF	0.487	0.487
SSE Convertible Bond	0.01	0.01

- B shares – Shenzhen and Shanghai**

Item	Buy (bps)	Sell (bps)
Exchange Levy	0.487	0.487
CSRC Levy	0.2	0.2
Clearing Fee	5.00	5.00
Stamp Duty	0	10.00
<b>Total</b>	<b>5.687</b>	<b>15.687</b>



## CUSTOM BASKET

- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

## SPECIAL TREATMENT NAMES

Shanghai Exchange:

[http://www.sse.com.cn/aboutus/innovation/riskplate/more\\_index.shtml](http://www.sse.com.cn/aboutus/innovation/riskplate/more_index.shtml)  
<http://www.sse.com.cn/disclosure/listedinfo/riskplate/list/>

- Limit orders only; each exchange participant can only buy max 500k shares a day with price limit of  $\pm 5\%$  from previous close
- Market orders not allowed
- If intraday turnover ratio reaches 30%, then Shanghai Exchange will suspend the specific stock for trading until 5 minutes before the close

Shenzhen Exchange:

- The Exchange does not publish any list of Special Treatment names (ST names), but could be located by Bloomberg EQS with Financial Status Indicator "ST"
- Limit and market orders allowed with price limit of  $\pm 5\%$  from previous close

## CROSSING CONVENTION

- Crossing on exchange block trade system only
- Hours for both SSE and SZSE: AM 9:30-11:30; PM 1:00-3:30
- Minimum size:
  - Shanghai A Shares:  $\geq 300,000$  shares;  $\geq 2$ mn RMB
  - Shanghai B Shares:  $\geq 300,000$  shares;  $\geq 200$ k USD
  - Shenzhen A Shares:  $\geq 300,000$  shares;  $\geq 2$ mn RMB
  - Shenzhen B Shares:  $\geq 30,000$  shares;  $\geq 200$ k HKD
- Trading price should be within the day's range. If there is no trading on the stock on the cross-trading day, the crossing price may be set at the previous day's close

## CIRCUIT BREAKER

- **IPO stocks:** On the first trading day, if the stock price moves  $\pm 10\%$  from opening price, stock will be halted for 30 minutes (does not apply to the last 5min SSE trading and last 3min SZSE)
- **Market-wide:** The circuit breaker has been suspended since 2016.

## REGULATORY/DISCLOSURE CONSIDERATIONS

- China Banking Regulatory Commission (CBRC) issued an interim measure (the **Bank Equity Measures**) regarding significant holdings in PRC domestic commercial banks:
  - Ownership  $\geq 1\%$  of the voting shares, investors must provide a post-trade notice to the CBRC within 10 working days,
  - Ownership approaching  $\geq 5\%$  of the voting shares, investors require pre-clearance by the CBRC; such approval would be valid for 6months only
- The Bank Equity Measures apply by analogy to other financial institutions under the jurisdiction of the CBRC, including without limitation, micro-credit companies, trust companies, financial asset management companies, financial leasing companies, automobile financial companies, consumer financial companies.
- The regulation applies to all (domestic and foreign) investors
- MS handles position reporting and ownership threshold monitoring on swap hedges. Please note: **clients are responsible for position reporting and ownership threshold monitoring on their aggregate positions across swap and cash, and across PRC domestic or foreign exchanges. Clients should seek their own legal advice on such matters**

## CORPORATE ACTIONS

- **Entitlements**
  - Based off closing position as of record date
- **Cash dividends**
  - MS swaps offer long positions a 90% dividend entitlement on taxable distributions
- **Stock dividends / Bonus issues**
  - Stock dividends that are distributed from a company's profits or retained earnings are subject to 10% withholding tax
  - Bonus shares that are distributed from a company's capital reserve are tax exempted
  - The withholding tax calculation method is as follows:  
 $Entitled\ Position \times Stock\ Dividend\ Ratio \times Par\ Value \times Tax\ Rate$
- **Rights issues/ subscription offers**
  - Shares are suspended from trading between record date and ex-date, which is usually 7 days
  - Rights are non-tradable.
  - The subscription period is usually very short, sometimes 1 day only
- China B share corporate action economics may not be available

## FOREIGN OWNERSHIP THRESHOLDS

Applicable	Foreign Shareholding (%)	Requirement
China A,B, H and A/GDRs	5% (Single investor)	- Investors must make a disclosure if 5% is crossed in either direction across all listing within 3 days - Subject to short swing profit rule
	10% (Single investor)	- Single investor shareholding cannot exceed 10%
China A	26% (aggregate)	- The SSE/SZSE will publish a notice on its website - Stock Connect will stop accepting buy orders for the relevant shares until aggregate foreign investor shareholding is below 26%
	28% (aggregate)	- SSE/SZSE will force investors to unwind within five business days on a last-in, first-out basis to bring the aggregate holding below 30%
	30% (aggregate)	

- MS will handle the shareholding checks & disclosure listed above on swap hedges
- MS may reject QFII swap buy orders for names above 28% FOL

## SWAP DOCUMENTATION REQUIRED

- Clients are required to agree supplemental tax and eligibility language in the ATS
- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange web site / Suspended stocks  
 Shenzhen: <http://www.szse.cn/disclosure/notice/temp/index.html>  
 Shanghai: <http://www.sse.com.cn/disclosure/dealinstruct/suspension/>
- Exchange web site / Foreign shareholding  
 Shenzhen: <http://www.szse.cn/disclosure/deal/qfii/index.html>  
 Shanghai: <http://www.sse.com.cn/disclosure/disclosure/qfii/>
- Trading Costs  
 Shenzhen: <http://www.szse.cn/English/services/trading/tradingFees/index.html>  
 Shanghai: <http://www.szse.cn/English/services/trading/tradingFees/index.html>

# Delta One Structured Products

## Korea Swap Overview



### MARKET CONVENTIONS

- **Exchange:** The Korea Exchange (KRX)
- **Primary indices:** KOSPI Index (KOSPI), KOSDAQ Index (KOSDAQ)
- **Continuous hours:** AM 9:00 - PM 3:30
- **Time zone:** Korea Standard Time (KST), GMT+9

Period	Duration	Main Features
Pre-Market Trading	AM 8:00 - 9:00	<ul style="list-style-type: none"> <li>Only trading at the previous close price</li> </ul>
Open Auction	AM 8:30 - 9:00	
Continuous Trading	AM 9:00 - PM 3:20	
Close Auction	PM 3:20 - 3:30	
Closing Price Trading	PM 3:40 - 4:00	<ul style="list-style-type: none"> <li>Allows new/amend/cancel</li> <li>Only trading at the close price</li> </ul>
Call Trading Session	PM 4:00 - 6:00	<ul style="list-style-type: none"> <li>Auction every 10 minutes</li> <li>±10% price range</li> </ul>

- **Round lot size:** 1 share
- **Limit up/down:** ±30% from the previous close for KOSPI/KOSDAQ
- **Day trading:** Permitted
- **Standard FX timing:** Equity and FX market both close at PM 3:30
- **Equity Settlement Cycle:** T+2

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Stock and index futures, listed options
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	
Algo suite	Full	Partial	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	*	Yes	*Please contact MS
<b>Tax considerations</b>			
Dividends	85% entitlement on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs, secondary placements	Yes	-	Deal specific

### MARKET EQUIVALENT CHARGES

Item	Buy ( bps)	Sell ( bps)
Securities Transaction Tax (STT)	0	25

May not apply for Korean ETFs  
MOEF announced that STT will be revised down to 23bps in 2021 and to 15bps in 2023, to be finalized in July 2020 and included in the 2020 tax revision bill.

### PRE-FUNDING/PRE-DELIVERY NAMES

- Securities that are classified as Investment Risk or Investment Alert require prefunding before purchases
- MS will handle all pre-funding and pre-delivery requirements on swap hedges

### INDEX/CUSTOM BASKET OFFERING

- **Key indices:** MSCI Korea (MXKR), KOSPI 200 Index (KOSPI2), KOSDAQ, KOSPI Finance (KSP2FI)
- Custom and sector/thematic baskets available on request

### CASH VS SWAP CONSIDERATIONS

- Investor Registration Certificate (IRC) is not required to trade MS swaps
- When trading MS swaps, our Stock Lending desk is able to source supply from onshore lenders, offshore lenders, strategic joint ventures and exclusive arrangements across Asia.
- MS has dedicated Korean stock loan specialists. Please contact [sl\\_hf\\_asia@morganstanley.com](mailto:sl_hf_asia@morganstanley.com) for further information

### SHORT ACCESS CONSIDERATIONS

- Short selling ban in the KOSPI, KOSDAQ and KONEX markets was announced on March 13 for a period of six months from March 16 to September 15, 2020
- Naked short sales are not permitted
- Covered short sales are permitted
- Exchange requires accurate tagging of long sell/short sell orders
- Uptick/Flat tick rule applies
  - Short-selling quotations must be placed at a price at least one tick higher than the last traded price (the current market price)
  - However, as an exception, if the last price is higher than the immediately preceding price, short-selling orders can be placed at the current market price
  - Continuous, Close Auction uses last traded price as reference
  - Open Auction uses previous close price as reference
  - Does not apply to regular session block trading
- **Overheated short sell stocks** - Following the short sell regulation announcement November 2016, the KRX introduced the concept of "overheated short sell stocks", effective from March 23, 2017
  - The KRX designates stocks as "overheated short sell stocks" at 6pm KST, where stocks exhibited extraordinary increases in short selling and sharp falls in prices during trading hours.
  - These stocks then cannot be short sold on the following 1 business day after announcement
  - MS systems will reject locate requests on these stocks

### SPECIAL TRADING NAMES

- The KRX website publishes 5 different categories of special names that have different trading rules
- **Investment Caution** – companies that are believed to be related to speculative or unfair trading. Stocks trade as normal.
- **Investment Risk and Investment Alert** – names that have exhibited abnormal price surges:
  - Stock can move from continuous trading to single price auctions with 10 or 30 minute intervals for at least 3 days.
  - Stock can move to trading suspension when its price has increased by ≥20% from the previous close for 2 days after designation.
  - Investors need to prefund all buy trades on these stocks
  - Manual intervention is required to trade
- **Short-term Overheated Names** - system to alleviating short-term overheated trading
  - Once announced, stock will move to single price auction with 30 minute intervals for 3 days.
  - Voice order and MSET orders (Algo) are supported
- **Super-Low Liquidity Names** – Effective June 27, 2016, KRX changed from continuous trading to single price auctions with 10 minute intervals for super-low liquidity names. Name list will be reviewed monthly. MSET and Voice trading are supported

## CROSSING CONVENTIONS

- Two methods for crossing between cash and swap:
  - On market, on exchange – applicable for smaller size
  - Off market, on exchange – using KBlox facility
- For KBlox crossing: AM 7:00 to PM 5:00
  - Single stock
    - o KOSPI - size of 5,000 shares or notional >100mn KRW
    - o KOSDAQ - notional >50mn KRW
  - Basket orders
    - o KOSPI – 5 or more names (same side) with combined notional >1bn KRW
    - o KOSDAQ – 5 or more names (same side) combined notional >200mn KRW
  - MS swaps allow the crossing price to be within the day's trading price range, and has to be rounded to 1 KRW
- For on market crossing, if the stock is bid limit up or offer limit down prior to the trade being executed, there is a risk that one side does not get completed
- 25bps Sales Tax applicable on the sell leg of the transaction
- FX considerations: FX cannot be crossed directly. To minimize slippage, each side can target market FX at a pre-agreed time

## FOREIGN OWNERSHIP THRESHOLDS

- **Foreign ownership limits (FOL)** apply to some stocks (i.e. Telecom, Utilities, Transportation, Media, etc.); orders that would cause the foreign ownership to exceed the FOL will be rejected by the exchange. (BBG page: FILL).
- FOL impacts the establishment of short positions, as buying to cover may not be permitted

## CORPORATE ACTIONS

- **Cash dividends**
  - Typically go ex on 29th December and pay dates are 3 months later
  - The announced dividend is only a proposed rate and is subject to AGM approval within 3 months of the ex-date
  - It is not uncommon for the cash dividend to be cancelled after the original announcement
  - FX will be done on pay date by custodian
- **Stock dividends**
  - The announced dividend is only a proposed rate and is subject to AGM approval within 3 months of the ex-date
  - Where withholding tax is applicable on the dividend, MS will pay the shares based on the confirmed stock dividend ratio, and separately apply a cash accrual to claim the withholding tax
  - The withholding tax calculation method is as follows:  
*Entitled Position x Stock Dividend Ratio x Par Value x Tax Rate*
- **Stock splits**
  - No ex-dates announced for splits, just record dates.
  - Shares are suspended from trading from record date through to pay date. This can be between 2 weeks and 1 month.
- **Subscription offers**
  - pre-funding is required, including oversubscriptions. It is common for the subscription price to be fixed only one day before the election preference deadline

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## CIRCUIT BREAKER

- There are 3 phases of circuit breakers (CB): A trading halt can be issued when KOSPI or KOSDAQ index declines more than 8%/15%/20% of the previous day's closing value, respectively. If this condition lasts for 1 minute, trading for **all products** is halted
- **CB1 (-8%) and CB2 (-15%):**
  - Trading will be halted for 20 minutes, followed by a 10 minute auction to determine initial price for resumption of trading
  - During the trading halt, it is not possible to place new orders but it is possible to cancel existing orders
  - Each phase is limited to once per day
  - There will be no halt if CB1 or CB2 is breached within 40 minutes of market close
- **CB3 (-20%):**
  - This will trigger an early market close; no further trading can take place for the remainder of that day
  - No orders can be placed or cancelled
  - The halt can take place at any time during trading hours
- **“Sidecar”** is a separate CB system for futures/program trades. Triggered when KOSPI200 futures moves  $\pm 5\%$  (KOSDAQ150 index futures moves  $\pm 6\%$  and KOSDAQ150 index moves  $\pm 3\%$ ) from the previous close and lasts for 1 minute:
  - The far side futures price will be suspended for 5 minutes
  - New program buy orders are suspended for 5 minutes in an up market
  - New program sell orders are suspended for 5 minutes in a down market
  - MS will suspend working orders and reject new orders
  - Sidecar is disabled 40 minutes prior to market close, or when other circuit breakers are active
- **Individual stocks - Volatility Interruption (VI)**
  - Dynamic VI: Triggers when stock moves 3% relative to KOSPI200 and 6% KRX or KOSDAQ from last execution price (2% and 4% respectively during closing auction)
  - Static VI: when stock moves  $\pm 10\%$  from last auction price
  - Both VIs followed by 2mins auction period.
  - VI can be triggered multiple times per day

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** The Financial Investment Services and Capital Markets Act (FSCMA) require investors to disclose their ownership to the exchange within 5 days, if:
  - Ownership  $\geq 5\%$  of shares outstanding and every subsequent 1% increment
  - Ownership  $\geq 10\%$  of shares of outstanding and every changes if the change  $\geq 1,000$ shrs & 10mn KRW
- **Short disclosure on short-sale position:** If the position is  $\geq 0.5\%$  of shares outstanding, the following will be disclosed publically via the exchange website: stock, seller details, date when position became applicable for disclosure
- **Short position reporting:** Investors must report short positions to the FSS when
  - Ownership  $\geq 0.01\%$  of shares outstanding and  $\geq 100$ mn KRW
  - Ownership  $\geq 1$ bn KRW, regardless of ownership percentage
  - Ownership  $\geq 0.5\%$ , investor name shall be disclosed
- MS has trading controls to prevent threshold breaches

## FURTHER INFORMATION LINKS

- Exchange Website  
<http://global.krx.co.kr/main/main.jsp>
- Regulation on short-selling prices (Uptick Rule)  
<http://global.krx.co.kr/contents/GLB/06/0602/0602010204/GLB0602010204T5.jsp>

## Delta One Structured Products

## Taiwan Swap Overview



## MARKET CONVENTIONS

- **Exchanges:** Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEx, formerly Gre Tai)
- **Primary indices:** Taiwan Stock Exchange Weighted Index (TAIEX), TWSE Taiwan 50 Index (TW50)
- **Continuous exchange hours:** AM 9:00 – PM 1:25
- **Continuous trading:** On 23<sup>rd</sup> March 2020, the Taiwan Stock Exchange (“TWSE”) launched continuous trading as well opening and closing auctions.  
<https://www.twse.com.tw/en/page/trading/information13.html>
- **Time zone:** China Standard Time (CST), GMT+8

Period	Duration	Main Features
Pre-Open	AM 8:30 - 9:00	<ul style="list-style-type: none"> <li>• Allows new/amend/cancel</li> </ul>
Continuous Trading	AM 9:00 - PM 1:25	
Intraday Odd Lots Trading (starting 26 Oct 2020 per TWSE)	AM 9:00 – PM 1:30	<ul style="list-style-type: none"> <li>• Order placing from AM 9:00</li> <li>• Matching from AM 9:10</li> <li>• Call auction every 3 minutes</li> <li>• Limit orders only</li> <li>• Can extend up to 1:33 on volatile stocks, during the extra minutes, allows new/amend/cancel</li> </ul>
Closing Auction	PM 1:25 - 1:30	
Close Price Odd Lots Trading	PM 1:40 - 2:30	<ul style="list-style-type: none"> <li>• Separate order book</li> <li>• Allows new/amend/cancel</li> <li>• Auction at 2:30</li> </ul>
Closing Price Trading	PM 2:00 - 2:30	<ul style="list-style-type: none"> <li>• Allows new/amend/cancel</li> <li>• Only trading at the close price</li> <li>• Auction at 2:30</li> </ul>

- **Block trading:** AM 8:00 - 8:30; AM 9:00 - PM 5:00
  - Single stocks with at least 500 lots or notional  $\geq 15$ mn TWD
  - Basket of 5 or more names with combined notional  $\geq 15$ mn TWD
  - Price range must be within  $\pm 10\%$  of the opening price
  - No block trading on dividend Ex and Ex+1 day, and IPO stocks for the first 5 trading days
- **Order type:** Market orders are converted and interpreted as order with limit price at limit up/down price
- **Round lot size:** 1000 shares (1 for TPEx)
- **Odd Lot:** Supported via post-close odd lot session
- **Limit up/down:**  $\pm 10\%$  from the previous close
- **Day Trading:** Permitted on eligible symbols (Block Trading Mechanism is out of scope)
- **Prefunding market:** Equity buy trades need to pre-fund on T+1. Sell proceeds only available T+2.
- **Standard FX timing:** Equity market closes during FX market lunch break. MS will work across the first 20 minutes after equity market closes (PM 2:00 - 2:20) to capture onshore liquidity
- **Equity Settlement Cycle:** T+2

## MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
Transaction Tax*	0	30

Note: Effective from 28 April 2017, transaction tax rate for eligible day trading executions are reduced from 30bps to 15bps until 31 December 2021. Please contact MS to discuss

## SHORT ACCESS CONSIDERATIONS

- Naked short sales are not permitted
- Covered short sales are permitted
- **Size restrictions:** Each stock has a short sell order quota per day, currently 30% of 30 day ADV, published in near real-time on the TWSE website
- Each stock also has an aggregate short sell quota of 10% TSO
- **Tick rule:**
  - If a stock closed limit down the previous day, short sale offers cannot be placed at a price lower than the previous close price
  - Applicable to selected stocks only, exemption list (names that are eligible for margin trading) available on the TWSE website

## MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Offshore index futures only
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	Yes	DMA access available on TSE, but not on TPEx/Gre Tai.
Algo suite	Full	Partial	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	*	Yes	*Please contact MS to discuss
<b>Tax considerations</b>			
Dividends	90% entitlement on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Yes	-	Please contact MS. Deal specific

## CASH VS SWAP CONSIDERATIONS

- Foreign institutional investor IDs (FINI) are not required to trade MS swaps
- MS handles pre-funding/delivery requirement
- MS handles position disclosure and ownership threshold monitoring on swap hedges

## INDEX/CUSTOM BASKET

- **Key indices:** Taiwan Stock Exchange Composite Index (TAIEX), TPEx Index (TWTCI), MSCI Taiwan (TAMSCI)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad



## PRE-FUNDING/PRE-DELIVERY NAMES

- For special stocks, buy orders must be pre-funded and shares for sell orders must be pre-delivered to the exchange before trading
- TWSE/TPEX publishes a watch stock list and a full delivery stock list daily, with special funding requirements:
  - **Full delivery stocks:** Buy orders need 100% of money prefunded & sell orders need 100% pre-delivered shares
  - **Watch stocks/ Disposition securities:** There are 2 levels of requirements depending on stock price volatility
    - Level 1: Buy/sell 100% of money/shares required if a single order  $\geq 10,000$  shares or aggregated  $\geq 30,000$  shares
    - Level 2: Buy/sell 100% of money/shares required
  - These special stocks may have a different matching period during continuous trading
- MS will handle all pre-funding and pre-delivery requirements on swap hedges.

## CROSSING CONVENTIONS

- Two methods for crossing between cash and swap:
  - On market, on exchange: applicable for smaller size
  - Off market, on exchange: block crossing mechanism
- For block crossing mechanism:
  - AM 8:00 - 8:30; AM 9:00 - PM 5:00
  - **Single stock** – Minimum size of 500,000 shares or notional  $\geq 15$ mn TWD
  - **Basket orders** – Minimum 5 stocks with aggregated notional  $\geq 15$ mn TWD (TSE .tw and TPEX .two works separately)
  - MS swaps allow the crossing price to be within the day's trading price range, which is  $\pm 10\%$  from the previous close
  - Day trading is not allowed for shares bought via block crossing
- On the cash leg of the cross, client's FINI ID is required in order for MS to trade execute the cross on behalf of the client
- 30bps Sales tax is applicable on the sell leg of the transaction
- **FX considerations:** FX cannot be crossed directly, to minimize slippage each side can target market FX at a pre-agreed time

## CORPORATE ACTIONS

- **Cash dividends**
  - MS swaps offers long positions a 90% dividend entitlement on taxable distributions
  - FX will be traded on pay date by custodian
- **Stock dividends**
  - Where withholding tax is applicable on the dividend, MS will pay the shares based on the confirmed stock dividend ratio, and separately apply a cash accrual to claim the withholding tax
- **Stock splits**
  - Shares are suspended from trading from ex-date through to pay date. Typically, this can be between 1 to 2 weeks
- **Right issues**
  - It is common for the issuer to give lapsed shareholders a second chance to subscribe. In this case, lapsed rights from the first deadline will be credited back on swap after the announcement of the second round subscription offer
- **Subscription offers**
  - Pre-funding is required

## FOREIGN OWNERSHIP THRESHOLDS

- Foreign ownership limits (FOL) apply to some stocks; orders that would cause the foreign ownership to exceed the FOL will be rejected by the exchange
- TWSE/TPEX website publishes the stock list and respective ownership limit daily

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** Financial Supervisory Commission (FSC) requires investors to disclose their ownership to the exchange within 10 days, if:
  - Ownership  $\geq 10\%$  of any public company's total issued shares, and every subsequent 1% increment
  - Ownership  $\geq 5\%$  of bank or financial holding company shares, and every subsequent 1% increment
- **Short position reporting:** Not required
- MS has trading controls to prevent threshold breaches on swap hedges

## CIRCUIT BREAKER

- **Individual stocks:** If next bid/offer is greater than  $\pm 3.5\%$  of last traded price, then matching suspended for 2-3 minutes, but new orders can still be placed, cancelled, or amended during the period.
- No market-wide circuit breaker

## SWAP DOCUMENTATION REQUIRED

- Clients are required to agree supplemental eligibility language in the ATS
- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Real Time Securities Borrowing and Lending (SBL) headroom *Near real-time short sell quota*  
[http://mis.twse.com.tw/stock/sblInquiryCap.jsphttps://mis.twse.com.tw/stock/sblInquiryCap.jsp?lang=en\\_us](http://mis.twse.com.tw/stock/sblInquiryCap.jsphttps://mis.twse.com.tw/stock/sblInquiryCap.jsp?lang=en_us)
- *Short sell quota calculations (Question 9)*  
<http://www.twse.com.tw/en/page/products/sbl/faq.html#09>  
<https://www.twse.com.tw/en/page/products/sbl/faq.html>
- *Securities exempted from SBL short selling price constraint*  
<http://www.twse.com.tw/en/page/trading/SBL/TWTACU.html>
- Prefunding / Pre-delivery Name Watch list *Watch stocks/ Disposition Securities*  
<http://www.twse.com.tw/en/page/announcement/punish.html>
- *Full Delivery Stocks*  
<http://www.twse.com.tw/en/page/trading/exchange/TWT85U.html>
- FOL names  
[http://www.twse.com.tw/en/page/trading/fund/MI\\_QFIIS.html](http://www.twse.com.tw/en/page/trading/fund/MI_QFIIS.html)
- Day Trading Eligible Symbols *Taiwan Stock Exchange*  
<http://www.twse.com.tw/en/page/trading/exchange/TWTB4U.html>
- *Taipei Exchange*  
[http://www.tpex.org.tw/web/stock/trading/intraday\\_trading/intraday\\_trading\\_list.php?!=zh-tw](http://www.tpex.org.tw/web/stock/trading/intraday_trading/intraday_trading_list.php?!=zh-tw)
- Block Trading System  
[http://www.twse.com.tw/en/page/products/trading\\_rules/new\\_block.html](http://www.twse.com.tw/en/page/products/trading_rules/new_block.html)
- TWSE Announcement on Intraday Odd-lot trading (Chinese)  
<https://www.twse.com.tw/zh/news/newsDetail/ff8080817019b50e017080e9b6170260>



# Delta One Structured Products

## Indonesia Swap Overview



### MARKET CONVENTIONS

- **Exchange:** Indonesia Stock Exchange (IDX)
- **Primary indices:** Jakarta Composite Index (JCI), MSCI Indonesia (MXID)
- **Continuous exchange hours:**
  - (Mon-Thurs) AM 9:00 - 12:00; PM 1:30 - 3:50
  - (Fri) AM 9:00 - 11:30; PM 2:00 - 3:50
  - \*Shortened Trading hours by one hour in IDX since 30 Mar till further notice
- **Time zone:** Western Indonesian Time (WIT), GMT+7

Period	Duration	Main Features
Pre-Open	AM 8:45 - 8:55	- Orders can be entered only for LQ45 index names - Blind auction
Order Matching	AM 8:55 - 9:00	- Opening price is calculated
Continuous Trading AM	AM 9:00 - 12:00 AM 9:00 - 11:30	- Mon – Thurs - Fri
Continuous Trading PM	PM 1:30 - 3:50 PM 2:00 - 3:50	- Mon – Thurs - Fri
Pre-Close	PM 3:50 - 4:00	- Orders can be entered for all names - Closing auction call phase
Closing Match Auction	PM 4:00 - 4:05	- Allows new/amend/cancel - Blind auction
Closing Price Trading	PM 4:05 - 4:15	- Only trading at the close price

- **Boards:** Main Board, Development Board, Acceleration Board
  - MS swap currently offers access to the Main Board only
- **Order type:** Limit orders only
  - MS Algos have the capability to set aggressive price limit on child slices to achieve similar behavior as market orders
- **Round lot size:** 100 shares
- **Odd lots:**
  - There is no odd lot board
  - Facilitated by local desk or broker; generally bought at a premium, and sold at a discount
  - Rights and warrants are not available
  - Short selling is not allowed
  - Can be traded on negotiated board
- **Negotiated Market:** Prices of securities are negotiated between exchange members and investors. Same market hours apply despite settling based on agreed period
- **Pre-emptive rights trading:** Traded only in the morning session of the cash and negotiated market. Settlement is T+0
- **Standard FX:** MS will execute FX soon after equity market close.
- **Day trading:** Not allowed
- **Equity Settlement Cycle:** T+2

### MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
VAT	0.3	0.3
Levy	3.0	3.0
Guaranteed Fund*	0.5	0.5
Sales Tax	0	10.0
<b>Total</b>	<b>3.8</b>	<b>13.8</b>

\*Guaranteed Fund reduced from 1bps to 0.5bps until 17 Dec 2020

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	MSCI Indo listed in SGX
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	No	
Algo suite	Full	No	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	No	Yes	MSCI contract trades in USD
<b>Tax considerations</b>			
Dividends	80% entitlement on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Deal specific. Please contact MS.	-	Not available on swap if MS is acting as a book runner. Cannot unwind the same day

### INDEX/CUSTOM BASKET

- **Key indices:** MSCI Indonesia Index (MXID)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### SHORT ACCESS CONSIDERATIONS

- Short sales are not permitted
- MS offers short access via swap only

### CROSSING CONVENTIONS

- On exchange only. Onshore off exchange cross is not supported.
- Trades can be done via the main board or the negotiated market
- No limit on size, but price should be within the day's range
- Normal market charges applicable on both sides of the transaction
- FX cannot be crossed. To minimize slippage, each side can target market FX at a pre-agreed time.
- FOP in USD is possible in some cases (additional setups may be required for FOP cross, please contact your MS representative)

### CORPORATE ACTIONS

- **Cash dividends**
  - MS swaps offers long positions 80% dividend entitlement on taxable distributions
  - FX rate for the dividend on swap will be set on pay date
- **Rights issues** –
  - Only tradable in the AM session.
  - Special settlement of T+0 applies (normally T+2 for equities)

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** The Indonesian Financial Services Authority – Otoritas Jasa Keuangan (OJK) requires investors to disclose their ownership to OJK within 10 calendar days if:
  - Direct or indirect ownership  $\geq 5\%$  of the shares outstanding, and again at every subsequent 0.5% changes.
  - Holding of 50% or more of a particular stock (i.e. takeover)
  - The ultimate beneficial owner can appoint a 3<sup>rd</sup> party to report their substantial holding position, at the cost of a shortened deadline of 5 days after the change of the ownership of the listed share.
  - MS has trading controls to prevent threshold breaches and is responsible for MS hedge disclosure and reporting. However, **clients are responsible for reporting if their combined holdings [across swap and cash] of an individual company reach 5%. Clients should seek their own legal advice**
- **Short position reporting:** Not required
- MS is responsible for MS hedge disclosure and reporting

## CIRCUIT BREAKER / PRICE LIMIT

- **Market-wide:** There are 2 levels of circuit breaker, that trigger when the exchange composite index declines more than 10%/15% from the previous day's close value
  - Level1 (-10%): trading will be halted for 30 minutes
  - Level2 (-15%): trading will be suspended for rest of day
- From March 10 until Further notice:  
*Market-wide:*
  - Level1 (-5%): trading will be halted for 30 minutes
  - Level2 (-10%): trading will be halted for 30 minutes
  - Level3 (-15%): trading will be suspended until the session closes
- Instrument specific: move from reference price
  - Level1 (+35% or -10%): price ranges from IDR50 to IDR 200
  - Level1 (+25% or -10%): price ranges from more than IDR 200 to IDR 5,000
  - Level1 (+20% or -10%): price above IDR 5,000

## FOREIGN OWNERSHIP LIMITS

- No general restrictions except for banks and broadcasting and insurance companies.

## DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange website  
<https://www.idx.co.id/en-us/>

# Delta One Structured Products

## Malaysia Swap Overview



### MARKET CONVENTIONS

- **Exchange:** Bursa Malaysia
- **Primary indices:** FTSE Bursa Malaysia KLCI (FBMKLCI), MSCI Malaysia (MXMY)
- **Continuous exchange hours:** AM 09:00 - 12:30; PM 2:30 - 4:45
- **Time zone:** Malaysia Time (MYT), GMT+8

Period	Duration	Main Features
Pre-Open AM	AM 8:30 - 9:00	- Allows new/amend/cancel - No matching
Continuous Trading AM	AM 9:00 - 12:30	- Unmatched orders during the AM session will be carried forward to the PM session
Pre-Open PM	PM 2:00 - 2:30	- Allows new/amend/cancel - Matching at 2:30
Continuous Trading PM	PM 2:30 - 4:45	
Pre-Close/Auction	PM 4:45 - 4:50	- Allows new/amend/cancel - No matching
Closing Price Trading	PM 4:50 - 5:00	- Allows new/amend/cancel - Trade at close price only

- **Listing Markets:**  
Main Market: offered on MS swap  
ACE and LEAP Markets: Not offered on MS swap
- **Order type:** Limit orders only  
- MS Algos have the capability to set aggressive price limits on child slices to achieve similar behavior as market orders
- **Round lot size:** 100 shares
- **Odd lots:** Separate board, traded throughout the day. Odd lot trading is not supported for short sales –repeat from Short access
- **Closing Price:** Closing Auction
- **Day trading:** Not allowed
- **Standard FX timing:** MS will execute FX soon after equity market close.
- **Equity Settlement Cycle:** T+2

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	Stock and index futures
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes*	No	Short sales not supported on DMA
Algo suite	Full	No	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	No	Yes	
<b>Tax considerations</b>			
Dividends	No withholding tax for common stock 76% entitlement on swaps over REITs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Deal specific. Please contact MS.	-	Cannot unwind on the same day

### MARKET EQUIVALENT CHARGES

- Regular stocks

Item	Buy (bps)	Sell (bps)
Clearing Fees (Cap at MYR 1000)	3	3
Stamp Duty (Cap at MYR 200)	10	10
<b>Total</b>	<b>13</b>	<b>13</b>

- Mid and Small Cap Companies eligible for stamp duty exemption\*

Item	Buy (bps)	Sell (bps)
Clearing Fees (Cap at MYR 1000)	3	3
Stamp Duty (Cap at MYR 200)	0	0
<b>Total</b>	<b>3</b>	<b>3</b>

\* List of companies eligible for the exemption is reviewed annually and is available on exchange website.

### INDEX/CUSTOM BASKET

- **Key indices:** MSCI Malaysia Index (MXMY)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### SHORT ACCESS CONSIDERATIONS

- MS offers short access on swap via both Long Sell and Short Sell borrow. Short Sell borrow is available for Voice and PT only.
- Short sell borrow is restricted to Regulated Short Sell (RSS) eligible names and RSS report is required as proof of secured borrow
- RSS rules during main trading phase:
  - RSS order can be executed at the best current ask price or higher (sometimes called "At-tick")
  - RSS order is rejected if no sell order in the order book
  - No RSS Order can be entered during Security Halt
  - When FBKLCI Index declines by 10% or more from the previous trading day's closing index, the uptick rule will apply till the end of the next trading day
- Intra-day Short Sell (IDSS) is not offered on swap
- Odd lot trading is not supported for short sales

### CORPORATE ACTIONS

- **Cash Dividends**
  - Generally, dividends are paid semi-annually or annually.
  - June, July, September and December will usually have a high number of dividend payments.
  - FX rate for the dividend on swap will be set on pay date
- **Subscription offers**
  - Pre-funding is required, including oversubscriptions.
  - Traded rights may or may not carry the ability to oversubscribe (determined on a case by case basis)

## CROSSING CONVENTIONS

- **Direct Business Transaction (DBT)** – crossing shares between two Participating Organizations (POs) or 2 clients within the same PO
  - No limit on size
  - For shares above MYR1, price must be within 15% of previous day's VWAP
  - For shares below MYR 1, price must be within MYR 0.15 of previous day's VWAP
- **On Market Married Transaction (OMMT)** – crossing shares between MS and a client (i.e. within the same PO).
  - No limit on size
  - Price must be within the day's range
- RSS orders cannot to be crossed
- FX cannot be crossed. To minimize slippage, each side can target market FX at a pre-agreed time.
- Brokerage, stamp and market charges are applicable on both sides of the trade.

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** Investors must disclose any ownership within 7 business days, if:
  - Ownership  $\geq 5\%$  of the voting shares of a Malaysian incorporated public company, and subsequent changes until below 5%
- **Short position reporting:** Not required
- MS has trading controls to prevent threshold breaches on MS swap hedges
- MS is responsible for MS hedge disclosure and reporting

## CIRCUIT BREAKER / PRICE LIMIT

- IPO stocks:
- **Market-wide:** There are 3 levels of circuit breaker that trigger when the FTSE-based Composite index (FBM KLCI) declines more than 10%/15%/20% from the previous day's closing value:
  - **Level1** (down -10% or more but less than -15%): market suspends for 1 hour\*
  - **Level2** (down -15% or more but less than -20%): market suspends for 1 hour\*
  - **Level3** (more than -20%): market will close for the day\*If the circuit breaker is triggered after AM 11:15 or after PM 3:30, market will close for the rest of that continuous trading session
- **Instrument specific:** Limit up/down of  $\pm 30\%$  from the previous close
  - For stock above MYR 1.00: Limit up/down of  $\pm 30\%$  from the previous close.
  - For stock below MYR1.00: Limit up/down of  $\pm 0.30$  CENTS from the previous close

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange website  
[www.bursamalaysia.com](http://www.bursamalaysia.com)
- Circuit Breaker  
[https://www.bursamalaysia.com/reference/faqs/securities/faqs\\_on\\_circuit\\_breaker](https://www.bursamalaysia.com/reference/faqs/securities/faqs_on_circuit_breaker)
- SBL Eligible Securities  
[https://www.bursamalaysia.com/trade/post\\_trade/securities\\_borrowing\\_lending/sbl\\_eligible\\_securities](https://www.bursamalaysia.com/trade/post_trade/securities_borrowing_lending/sbl_eligible_securities)
- Stamp Duty Waiver on Mid and Small Cap Companies Effective from 15 January 2020. (based on market capitalization ranging between RM200 million and RM2 billion as at 31 December 2019):  
[https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/5e12ff735b711a0ccce46d6/Mid\\_Small\\_Cap\\_PLCs\\_Mkt\\_cap\\_of\\_200\\_mil\\_to\\_2\\_bil\\_Dec2019\\_V1.0.pdf](https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/5e12ff735b711a0ccce46d6/Mid_Small_Cap_PLCs_Mkt_cap_of_200_mil_to_2_bil_Dec2019_V1.0.pdf)

# Delta One Structured Products

## Philippines Swap Overview



### MARKET CONVENTIONS

- **Exchange:** The Philippine Stock Exchange (PSE)
- **Primary indices:** Philippine SE Index – PSEi (PCOMP), MSCI Philippine (MXPH)
- **Continuous exchange hours:** AM 9:30 - 12:00; PM 1:30 - 3:15
- \*Shortened Trading hours until 1pm in PSE since 17 Mar till further notice
- **Time zone:** Philippine Time (PHT), GMT+8

Period	Duration	Main Features
Pre-Open	AM 9:00 to 9:15	- Allows new/amend/cancel
Pre-Open No Cancel Period	AM 9:15 to 9:30	- Allows new orders only - No cancel
Continuous Trading AM	AM 9:30 to PM 12:00	
Continuous Trading PM	PM 1:30 to 3:15	
Pre-Close Auction	PM 3:15 to 3:18	- Allows new/amend/cancel - No matching
Closing Auction	PM 3:18 to 3:20	- Allows new orders only - No cancel
Closing Price Trading	PM 3:20 to 3:30	- Only trading at the close price

- **Order type:** Limit orders only
  - MS Algos have the capability to set aggressive price limit on child slices to achieve similar behavior as market orders
- **Round lot size:** Varies (5 to 1mln shares, depending on price)
- **Odd lot:**
  - Facilitated by local desk or broker; generally bought at premium and sold at discount
  - Short selling is not allowed
- **Day trading:** Not allowed
- **Standard FX timing:** MS will execute FX soon after equity market close. Early FX not supported. Note FX spot is T+1
- **Equity Settlement Cycle:** T+3

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	MSCI Philippines listed on SGX
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	No	
Algo suite	Full	No	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	No	Yes	MSCI contract trades in USD
<b>Tax considerations</b>			
Dividends	70% entitlement on swap longs 90% entitlement on REITs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Deal specific. Please contact MS.	-	Cannot unwind on the same day

### MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
VAT	3	3
SCCP Fees	1	1
Sales Tax	0	60
<b>Total</b>	<b>4</b>	<b>64</b>

### INDEX/CUSTOM BASKET

- **Key Indices:** MSCI Philippine Index (MXPH)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### CASH VS SWAP CONSIDERATIONS

- MS offers short access via swap

### SHORT ACCESS CONSIDERATIONS

- Short sales not permitted
- MS offers short sell via swaps only
- Odd lot trading is not supported for short sales
- PSE yet to provide operating guidelines for short sell rules

### CROSSING CONVENTIONS

- On exchange only, via brokers
- Price should be within Bid/Ask quotes
- MS and client should try to face the same broker. If the client has a different broker, the MS broker would need to confirm they are set up to trade with the client's broker.
- 60bps sales tax applicable on the sell leg of the transaction, and 4bps market charges applicable on both sides of the transaction

### CORPORATE ACTIONS

- **Cash dividends**
  - MS swaps offers long positions:
    - REITs only - 90% dividend entitlement on taxable distributions
    - Non-REITs Stock - 70% dividend entitlement on taxable distributions
  - FX rate for the dividend on swap will be set on pay date
- **Subscription offers**
  - Pre-funding is required, including oversubscriptions. Traded rights may or may not carry the ability to oversubscribe (determined on a case by case basis).

### FOREIGN OWNERSHIP THRESHOLDS

- The restrictions are laid out in the Foreign Investment Negative List
- Foreign Ownership Limit (FOL) for certain names is 0%.
  - Foreign investors can only get the economics via DRs (Media) and Class B shares (Mining)
  - Locals can trade both the local lines and DRs/Class B shares
  - There is no conversion mechanism between DRs/Class B shares and local lines
  - Exchange will reject foreign buys of the local line
- For other names, the FOL is typically 40%
  - No other option (Foreign Line / DR/ Class B shares) exists
  - Exchange will reject foreign buys when at the limit



## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** According to section 18 of the Philippines Securities and Exchange Commission (SEC), investors are required to disclose the beneficial owner of related shares when:
  - Ownership  $\geq 5\%$  of the shares outstanding; required to report within 5 business days.
  - Ownership  $\geq 10\%$  of the shares outstanding, required to report within 3 business days.
  - Any material reduction in previously reported ownership is required to report within 3 business days when crossing the 5%/10% level again.
  - **Banks: 2% of the total subscribed capital of a domestic bank must disclose to the bank all relevant information**
- **Short position reporting:** Not required
- MS has trading controls to prevent threshold breaches on swap hedges
- MS is responsible for MS hedge disclosure and reporting

## CIRCUIT BREAKER / PRICE LIMIT

- The PSE enforces static and dynamic thresholds to safeguard against unusual fluctuations in share prices.
- Effective 24 Mar, PSE amended the lower static threshold from 50% to 30% below the previous close or last adjusted closing price
- Market-wide: Three levels of Circuit Breaker will be implemented in the PSE trading system, effective from 4 May 2020: Under the whole day trading schedule where pre-close starts at PM 3:15
- Level 1: falls 10% - trading will be halted for 15 minutes. Circuit Breaker shall be triggered only up to PM 2:55
- Level 2: falls 15% - trading will be halted for 30 minutes. Circuit Breaker shall be triggered only up to PM 2:40
- Level 3: falls 10%- trading will be halted for 60 minutes. Circuit Breaker shall be triggered only up to PM 2:10
- Each level of the Circuit Breaker shall be triggered only once in any given session.
- Exchange trading halt: If at least 1/3 of the brokers who use the PSE's trading system cannot access it due to system problems, the exchange can halt trading
- *Instrument specific:*
  - Whenever the price of any order breaches the trading threshold of a security during any trading day, the trading of such security will be suspended and reviewed by PSE Market Control Department
  - Disclosure rule that states if a material development occurs during trading hours, the issuer must request a trading halt

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange website  
[www.pse.com.ph](http://www.pse.com.ph)
- Suspended names:  
[https://edge.pse.com.ph/disclosureData/halts\\_and\\_suspensions\\_list.do](https://edge.pse.com.ph/disclosureData/halts_and_suspensions_list.do)

# Delta One Structured Products

## Thailand Swap Overview



### MARKET CONVENTIONS

- **Exchange:** The Stock Exchange of Thailand (SET)
- **Primary indices:** SET Index (SET)
- **Continuous exchange hours:** AM 9:55 - 12:30; PM 2:25/30 - 4:30
- **Time zone:** Indochina Time (ICT), GMT+7

Period	Duration	Main Features
Pre-Open AM	AM 9:30 – 9:55/ 10:00	- Order matching with randomized time between 9:55 – 10:00 to calculate AM open price
Continuous Trading AM	AM 9:55/10:00 - 12:30	- Randomized start time between 9:55-10:00
Pre-Open PM	PM 2:00 - 2:25/2:30	- Order matching with randomized time between 2:25-2:30 to calculate PM open price
Continuous Trading PM	PM 2:25/30 - 4:30	• Randomized start time between 2:25-2:30
Closing Auction	PM 4:30 - 4:35/40	• Allows new orders only • Order matching with randomized closing time between 4:35-4:40
Off-Hour Trading	PM 4:35/40 - 5:00	• Begins immediately after randomized closing time • For block trade reporting

- **Share Types:** Foreign, NVDR ( Non-Voting Depository receipt) and Local
- **Order type:** Market orders, IOCs, FOKs
- **Round lot size:** 100 shares (50 shares if stocks trading  $\geq$  THB 500 continuously for 6 months)
- **Odd lot:** Separate board and on local line only
- **Max order size:** 500 lots
- **Day trading:** Not allowed
- **Standard FX timing:** MS will execute FX soon after the equity market close. Early FX execution available upon request.
  - Deliverable currency with segregated onshore and offshore market
- **Equity Settlement Cycle:** T+2

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	Yes	
Long/Short	Long/Short	Long/Short	
<b>Execution platform</b>			
Voice and PT	Yes	Yes	
MSET	Yes	No	
Algo suite	Full	No	
<b>Swap currency</b>			
USD	Yes	Yes	
Local	No	Yes	
<b>Tax considerations</b>			
Dividends	90% entitlement on swap longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Deal specific. Please contact MS.	-	Cannot unwind on the same day

### MARKET EQUIVALENT CHARGES

- No transaction costs
- MS will not pass through 7% VAT on exchange fees and commissions to clients trading on swap

### SHORT ACCESS CONSIDERATIONS

- MS offers short access for both cash and swap
- Naked short sell is prohibited
- Short sells are available on Foreign and NVDR lines only, not the local line
- Stocks with short access on swap may not be the same as onshore universe of short sell stocks. Please check with stock loan desk for more details.

### CROSSING CONVENTIONS

- On exchange only
- Cross trades with minimum notional of THB 3mn or size of 1mn shares will be marked as "Trade Report – Big Lot"
- Cross trades with a notional less than THB 3mn or less than 1mn shares:
  - Foreign shares will be marked as "Trade Report – Foreign"
  - Local / NVDR shares will be marked as "Trade Report – Off-Hour" and can be crossed after market close till PM 5:00 at closing price or VWAP
- FX cannot be crossed directly. To minimize slippage, each side can target market FX at a pre-agreed time.
- FOP in USD is recommended for crossing (additional setups and checks may be required for FOP cross, please contact your MS representative)

### CORPORATE ACTIONS

- **Local line** –Corporate action economics are not available on local lines on swap, except for:
  - Stock splits, reverse splits, ISIN change, tenders, and return of capital (events where proceeds derive from the par value of the security)
  - Corporate Actions on REITS and other funds with 100% foreign ownership limit
- **Cash dividends** - (*not applicable for non-REIT local line*)
  - MS swaps offers long positions a 90% dividend entitlement on taxable distributions
  - FX rate for the dividend on swap will be set on pay date
- **Stock dividends** - (*not applicable for non-REIT local line*)
  - Where withholding tax is applicable on the dividend, MS will pay the shares based on the confirmed stock dividend ratio, and separately apply a cash accrual to claim the withholding tax
- **Subscription offers** (*not applicable for non-REIT local line*)
  - Pre-funding is required, including oversubscriptions. Traded rights may or may not carry the ability to oversubscribe (determined on a case by case basis)
  - Final shares are always paid 1-4 weeks after the subscription period ends, but not confirmed until then actual pay date

### INDEX/CUSTOM BASKET

- **Key indices:** MSCI Thailand Index (MXTH)
- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

## FOREIGN OWNERSHIP LIMITS

- In normal practice, foreign investors have to invest in securities on the foreign board to fully obtain all voting rights and financial benefits. If the foreign ownership limit has been reached, foreign investors may choose to trade in the domestic liquidity pool by investing in the local or NVDR lines.
- According to The Foreign Business Act B.E. 2542 (1999) (FBA), definition of foreigners: Investors with at least 50% of its share capital held by non-Thai nationals.
- Offshore investors may purchase shares in:
  - Foreign line: corporate entitlements and voting rights, generally trading at premium when near limit
  - Morgan Stanley swap reporting will reference the local line price mark for all Thailand swap positions if the foreign line is deemed illiquid.  
Foreign line may not exist for REITs since there is not foreign limit for these and foreigners get full entitlements on the local line
  - Local line: ownership would exclude entitlements and voting rights (except for REITs and some other funds)
  - Non-Voting Depository Receipts (NVDRs): corporate entitlements, fewer voting rights
  - NVDR and local names have the same liquidity profiles as they trade on the same order book
  - NVDR has a 25% limit on financial stocks, 35% for Bangkok Bank (BBL TB) subject to periodic review and change from Bank of Thailand (BOT)
- Conversions
  - Conversions from local/NVDR to foreign shares are at no cost to client and reflected in swap bookings once complete
  - Conversions from local/NVDR to foreign shares are subject to foreign room availability. In the absence of availability, shares may be added to the foreign queue and converted once the foreign limit frees up
  - Foreign/Local to NVDR conversion incurs a cost, availability is reviewed on a case by case basis
- SORT: Will buy on local line and convert to foreign line if foreign room is available
- Bloomberg reports aggregate volumes for local and NVDR line on T+0. SET updates NVDR volumes on T+1 basis

## CIRCUIT BREAKER / PRICE LIMIT

- **Market-wide:** Trigger when SET index declines by 10%/20% from the previous day's close:
  - Level 1: (-8%): Trading will be halted for 30 minutes
  - Level 2 (-15%): Trading will be halted for 30 minutes
  - Level 3 (-20%): Trading will be halted for 60 minutes
  - If the trading time remaining in a session is less than 30 minutes (first stage) or 60 minutes (third stage) after the circuit breaker comes into effect, trading will be halted until the closing time of that session and trading will resume in the next session
  - The halt can only trigger once in a trading day
- **Instrument specific**
  - Local Line - Price limit of +/- 30% from previous close price on the local line
  - Foreign Line - Price limit of +/- 60% from previous close price on the local line
  - Temporary rules applicable till 30 June and subject to change:
    - Local Line - Price limit of +/- 15%
    - Foreign Line - Price limit of +/- 30%

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** In accordance with Section 246 of the SEA B.E. 2535. Investors are required to disclose ownership to Thailand Securities and Exchange Commission (SEC) within 3 days if holding increases or decreases in multiples of 5% of total outstanding voting rights.
  - Disclosure requirement applies for non-voting depository receipts (NVDR)
  - Ownership in financial institution shares cannot exceed 10% without prior approval
- **Short position reporting:** Not required
- MS has trading controls to prevent threshold breaches on swap hedges
- MS is responsible for MS hedge disclosure and reporting

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange website  
[www.set.or.th/set/mainpage.do](http://www.set.or.th/set/mainpage.do)
- Foreign Institutional Investor Limits  
*Bloomberg: FII*
- Foreign ownership limits to each individual stock  
<https://www.set.or.th/set/companysummary.do?language=en&country=US>
- NVDR Outstanding Shares  
[www.set.or.th/set/nvdroutstanding.do](http://www.set.or.th/set/nvdroutstanding.do)

# Delta One Structured Products

## India Swap Overview



### MARKET CONVENTIONS

- **Exchanges:** National Stock Exchange (NSE), Bombay Stock Exchange (BSE)
- **Primary indices:** S&P BSE SENSEX (SENSEX), Nifty 50 Index (NIFTY)
- **Continuous exchange hours:** AM 9:15 - PM 3:30
- **Time zone:** India Standard Time (IST) UTC+5:30

Period	Duration	Main Features
Pre-Open*	AM 9:00 to 9:07/08	<ul style="list-style-type: none"> <li>- Allow new/amend/cancel</li> <li>- Limit and market orders allowed</li> <li>- No new/amend/cancel</li> </ul>
Pre-Order Matching	AM 9:07/08 to 9:12	<ul style="list-style-type: none"> <li>- Open price is calculated</li> <li>- Orders are matched</li> <li>- Unmatched at-auction limit orders will be carried forward to continuous trading</li> </ul>
Buffer Period	AM 9:12 to 9:15	<ul style="list-style-type: none"> <li>- No cancels</li> </ul>
Continuous Trading	AM 9:15 to PM 3:30	
Crossing Session	PM 3:40 to 4:00	<ul style="list-style-type: none"> <li>- Amends, cancels not allowed</li> <li>- Only trading at the closing price</li> <li>- VWAP closing price calculation</li> </ul>

\***Pre-Open:** Random time between AM 9:07 and AM 9:08, immediately followed by pre-order matching

- **Block trading:** see crossing conventions
- **Round lot size:** 1 for stocks, varies for InvITs, SME Segment, REITs
- **Odd lot trading:** not available for InvITs, SME Segment, REITs
- **Closing price:** VWAP of the final 30 minutes of continuous trading
- **Equity settlement cycle:** T+2 afternoon
- **Day trading:** Not allowed. Only settled positions can be sold (T+3).
- **Standard FX:** A separate FX will be provided for buy and sell equity swap trades
  - Equity buy trades require funding on T+1
  - Sell trade proceeds are only available for repatriation T+2

Please be reminded that MS may, but is not obliged to, hedge any Indian Synthetic Access product and MS will not be holding any hedge positions or engaging in hedging activities on behalf or for the account of, or as agent or fiduciary for, its clients.

### MARKET EQUIVALENT CHARGES

Item	Buy (In bps)	Sell (In bps)
Securities Transaction Tax (equity)	10	10

### OTHER PRODUCTS

- **Key indices:** NIFTY, Nifty Bank Index (NSEBANK), CNXBANK Index (CNXBKADV), NIFTYM50 Index (NIFTYM50), MSCI India (MXIN)
- **Baskets and Listed Options:** Due to the complexities of deduction/withholding for Baskets and Listed Options, they will not be offered on Indian listed products from 1 April 2017
- **ADRs/GDRs/CBs:** Whilst trading of ADRs/GDRs and conversion to underlying shares are not subject to CGT, the subsequent sell of the underlying is subject to CGT. Due to this complexity the conversion of ADR/GDR to underlying will not be offered from 1 April 2017 until such time as system enhancements are available. The same is applicable to CB conversions

### CASH VS SWAP CONSIDERATIONS

- Foreign Portfolio Investor ID is not required to trade MS swaps
- MS will handle all prefunding and repatriation when trading on swap
- Onshore futures are not available on swap since July 2017 SEBI directive

### SHORT ACCESS CONSIDERATIONS

- Swap short access is not available on equities

### MORGAN STANLEY SWAP OFFERING

	Equity	Onshore Futures	Notes
Product Access	Yes	No	
Long/Short	Long	-	
<b>Execution platform</b>			
Voice and PT	Yes	-	
MSET	Yes	-	
Algo suite	Full	-	
<b>Swap currency</b>			
USD	Yes	-	
Local	No	-	
<b>Tax considerations</b>			
Capital gains	See Tax Considerations section		
Cash Dividends	78.16% dividend entitlement on longs		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Deal specific and limited capacity. Please contact MS.	-	Prefunding is required for certain deals. MS can offer financing and INR FX hedging solutions for the pre-funding.
Swap rebalance /reset/roll	No	-	
Novation	Yes	-	Novation on same swap is not allowed
Reset Frequency	Bullet	-	
Unwind Methodology	FIFO only	-	
Multiple swaps per fund	No	-	

### CORPORATE ACTIONS

- Effective 01 April 2020, Morgan Stanley will manufacture dividends to long equity swap holders at the rate of 78.16% of gross dividends (or the prevailing non-treaty entitlement rate in the future)
- This rate would apply to all long equity swap positions irrespective of when the position was entered into (pre or post 01 April 2020) *Economics of Corporate Actions may involve additional CGT consideration. Please refer to Corporate Action section for details information and market specific considerations. Please contact your MS representative for more details.*

## TAX CONSIDERATIONS

- Changes to the India-Mauritius and India-Singapore tax treaties and the General Anti Avoidance Rule (GAAR) became effective 1 April, 2017.
- India is a signatory to, and has now ratified effective 1<sup>st</sup> April 2020, the Multilateral Instrument (MLI) framework which is a part of the OECD measures under the BEPS initiative (<http://oe.cd/mli>). This is in addition to the Indian GAAR provisions being made effective 1 Apr 2017.
- India swaps must be FIFO with no equity resets. They should be extended rather than rolled as termination date approaches
- Please contact your MS Representative for more details

## FOREIGN OWNERSHIP THRESHOLDS

- **Investor level**
  - FPIs can generally hold up to 10% of the total issued capital of a stock except in restricted sectors such as banking, insurance, financial infrastructure (e.g. exchanges, clearing houses, multilateral trading facilities) etc.
  - FPIs can hold up to 5% of paid up share capital in private sector banking stocks and insurance stocks. Prior approval from RBI is required to hold more than 5% of the paid up capital
  - Any investor (together with persons acting in concert) that acquires equity shares such that his shareholding exceeds 2% of the paid-up equity share capital of a stock exchange, clearing corporation or commodity exchange require SEBI's approval within 15 days of the acquisition
  - There are other sector level limits for FPI and FDIs as approved by the Government/RBI/Board of the Firm
  - FPI limits are applicable on the aggregate of ODIs and cash positions held on clients' FPI under the same investor group.
  - Please note: clients are responsible for position reporting and ownership threshold monitoring on their own FPI (or combined FPI + ODI) positions and should seek their own legal advice on such matters. MS has trading controls to prevent threshold breaches and is responsible for MS hedge disclosure and reporting
- **Market-wide**
  - India manages market-wide foreign investment limits using a Red Flag List and Breach List
  - The Red Flag List / Breach List system is managed by the depositories and disseminated on their website (links below)
    - **Red Flag List** – The Red Flag shall be activated whenever the foreign holdings on a stock are within 3% of the applicable Aggregate FPI Investment Limit or Overall / Sectoral Limit.
    - **Breach List** – whenever there is a breach of limit, the depositories will inform the exchanges about the breach
  - The exchanges will issue the necessary circulars/public notifications on their respective websites
  - If the Aggregate FPI Investment Limit or Overall / Sectoral Limit is breached, no further purchases by FPIs shall be allowed.
  - The custodians shall not confirm any trades on Breach List names if the buyer is an FPI.
  - Disinvestment – whenever there is a breach, FPIs will have 5 trading days from the date of settlement to disinvest the shares purchased above the limits (on a pro rata basis), by selling in the market
  - **MS Policy for Swaps**
    - Buy orders in Breach List names will not be accepted
    - Buy orders in Red Flag List names can be sent to the high-touch desk as well as program trading. Buy orders in these names will not be accepted via MSET

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **SEBI reporting:** Any Offshore Derivative Instrument (ODI) issuing Foreign Portfolio Investor (FPI) is required to file a monthly report to SEBI in relation to its ODI activities and their underlying hedging transactions in India
- **Long position reporting:** A person (together with persons acting in concert), who acquires 5% or more of the total shares or voting rights of an issuer, is required to make disclosure. Further disclosure is required if there is a change in the holding of a 5%+ holder and such change exceeds 2% of total shares or voting rights in the issuer. The deadline for making a disclosure is 2 working days following the acquisition or disposal
- **Bulk trading disclosure:** For any transaction greater than 0.5% of shares outstanding, as well as for any transaction in the block windows, the FPI will be disclosed on the exchange website
- Please note: clients are responsible for position reporting and ownership threshold monitoring on their own FPI (or combined FPI + ODI) positions and should seek their own legal advice
- MS has trading controls to prevent threshold breaches and is responsible for MS hedge disclosure and reporting
- MS is responsible for MS hedge disclosure and reporting

## SURVEILLANCE MEASURES

### Graded Surveillance Measures (GSM)

- With effect from 14 Feb 2017, SEBI and the Indian exchanges introduced GSM wherein certain identified securities are subjected to enhanced monitoring and surveillance actions
- GSM securities are identified by SEBI and the exchanges and are available on exchange websites daily
- There are 6 stages defined under the GSM framework with different surveillance actions applied to each stage. These stages are summarized in the table below

#### Stage Surveillance Actions and Trading Restrictions

I	Transfer to trade for trade with price band of 5 % or lower as applicable
II	Trade for trade with price band of 5 % or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)
V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)
VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)

- MS swap policy for securities at GSM Stage II and above:
  - All electronic buy orders in these names will be rejected with the following message "GSM restricted instrument"
  - Electronic Sell orders are supported
  - GSM securities will be identified by SEBI and the exchanges and are available on the stock exchange websites daily

### Additional Surveillance Measures (ASM) –

- In March 2018, SEBI and Exchanges announced ASM framework in addition to other prevailing surveillance measures on securities
- Surveillance actions applicable for these ASM names:
  - Securities shall be placed in Price Band of 5%
  - Margins shall be levied at the rate of 100% (not applicable to MS Swap positions)
- Effective 11 Jun 2018, SEBI refined its ASM framework to include companies that are undergoing Insolvency Resolution Process (IRP) as per Insolvency and Bankruptcy Code (IBC)
  - Buy orders will not be allowed in these names



## CROSSING CONVENTIONS

- Crossing is allowed on exchange only
- MS does not guarantee the crossing price
- **1st block window** is available from AM 8.45 to AM 9:00  
Max crossing +/- 1% away from previous close price  
Minimum size: 100mn INR
- **2nd block window** is from PM 2:05 to PM 2:20
  - Price +/-1 % from VWAP of 1.45 pm to 2 pm (if no trades in this period – then full day VWAP. In case VWAP is not available, previous day's adjusted close price shall be considered as reference price)
  - Minimum size: 100mn INR
- Please note: irrespective of size, block window transactions will be disclosed on exchange website on the same day after market hours
- FX considerations: FX cannot be crossed directly
  - To minimize slippage, each side can target market FX at an agreed time
  - Buy FX and sell FX will have different value dates

## CIRCUIT BREAKER / PRICE LIMIT

### Market Wide

- ±10% move of either index (SENSEX or NIFTY):  
Before PM 1:00 market will stop trading for 45 minutes  
At, or after, PM 1:00 market will stop trading for 15 minutes^  
After PM 2:30 no market halt
- ±15% move of either index (SENSEX or NIFTY):  
Before PM 1:00 market will stop trading for 1 hour 45 minutes^  
At, or after, PM 1:00 market will stop trading for 45 minutes  
After PM 2:00 market will stop trading for the rest of the day
- ±20% move of either index (SENSEX or NIFTY) at any time during market hours will stop trading for the rest of the day  
^(Pre-open call auction of 15 minutes after re-open)

### Instrument Specific

- While there is no price band for **securities in the derivative segment**, the exchanges impose a dynamic price band starting at 10% that can be relaxed by 5% at a time under certain conditions
- **IPO and relisted securities** have price band of 5% for the first 10 days (relaxed to 20% for the first day for IPOs with issue size greater than INR 2.5 million)
- The price band for **other securities** is as decided by the exchange surveillance departments from time to time:
  - Daily price bands of +-2%
  - Daily price bands of +-5%
  - Daily price bands of +-10%

## SWAP DOCUMENTATION REQUIRED

- Clients are required to agree supplemental tax language in the ATS before trading
- Clients looking to trade Indian Offshore Derivative Instruments (ODIs) are required to provide specific India documentation::
  - **India eligibility:** Clients are required to demonstrate they are eligible, and considered appropriately regulated, to subscribe to India ODIs in accordance with SEBI regulations, including the requirement that they must be deemed eligible for Category I FPI in order to subscribe to ODI
  - **India KYC:** Clients are required to provide Know Your Client (KYC) documentation. India KYC norms differ from that under UK or US AML regulations. Subject to refresh exercise every 1 year, or 3 years
  - **India ODI representation letter:** Clients are required to agree a standard suite of representations when trading Indian ODIs
- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange websites  
<https://www.nseindia.com/>  
<https://www.bseindia.com/>
- SEBI website  
<http://www.sebi.gov.in/sebiweb/>
- Foreign Investment Limit Monitoring (Red Flag and Breach Lists)  
<https://www.fpi.nsdli.co.in/web/Reports/ForeignInvestmentLimitMonitoringListing.aspx>
- Surveillance Measures  
[https://www.nseindia.com/invest/content/equities\\_surv\\_actions.htm](https://www.nseindia.com/invest/content/equities_surv_actions.htm)  
[https://www.bseindia.com/markets/equity/EQReports/graded\\_surveil\\_measure.aspx](https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx)  
[https://www.bseindia.com/markets/equity/EQReports/additional\\_surveillance\\_measure.aspx](https://www.bseindia.com/markets/equity/EQReports/additional_surveillance_measure.aspx)
- Bulk Deals / Block Deals  
<https://www.nseindia.com/products/content/equities/equities/bulk.htm>  
[https://www.bseindia.com/markets/equity/EQReports/bulk\\_deals.aspx](https://www.bseindia.com/markets/equity/EQReports/bulk_deals.aspx)
- NSE Capital Market Consolidated Circular  
<https://www.nseindia.com/nse-clearing/consolidated-circulars>  
<https://www.nscclindia.com/NSCCL/circulars/CMPT43078.zip>

# Delta One Structured Products

## Vietnam Swap Overview



### MARKET CONVENTIONS

- **Exchanges:** Ho Chi Minh Stock Exchange (HSX), Hanoi Stock Exchange (HNX), Unlisted Public Company Market (UPCoM)
- **Primary indices:** Vietnam Ho Chi Minh Stock Index (VNINDEX and VN30), Vietnam Hanoi Stock Exchange Equity Index (VHINDEX and VHUNDEX)
- **Continuous hours:** Refer to table below
- **Time zone:** Indochina Time (ICT), GMT+7

Period	HOSE	HNX	UPCOM	Main Features
Open Auction	AM 9:00 - 9:15			- No amend/cancel
Continuous Trading AM	AM 9:15 - 11:30	AM 9:00 - 11:30	AM 9:00 - 11:30	
Continuous Trading PM	PM 1:00 - 2:30	PM 1:00 - 2:30	PM 1:00 - 3:00	
Close Auction	PM 2:30 - 2:45	PM 2:30 - 2:45		- No amend/cancel
Post Close	PM 2:45 - 3:00	PM 2:45 - 3:00		- HOSE: blocks - HNX: blocks / closing price

- **Block trading:** AM 9:00 - AM 11:30, PM 1:00 - PM 3:00
  - HSX: min size 20,000 shares
  - HNX: min size 5,000 shares
  - UPCoM: min size 1 share
- **Round lot size:**
  - HSX: 10 shares
  - HNX: 100 shares
  - UPCoM: 100 shares
- **Odd lots:**
  - HOSE: not offered on swap
  - HNX: possible
  - UPCoM: possible with local brokers' facilitation
- **Limit up/down:**
  - HSX:  $\pm 7\%$  of previous close (IPO:  $\pm 20\%$  of previous close)
  - HNX:  $\pm 10\%$  of previous close (IPO:  $\pm 30\%$  of previous close)
  - UPCoM:  $\pm 15\%$  of previous VWAP (IPO:  $\pm 40\%$  of previous close)
- **Closing price:** Determined by the closing auction
- **Day trading:** Not allowed. Only settled positions can be sold (T+3).
- **Standard FX timing:** Buys must be prefunded before execution. A separate FX will be provided for buy and sell equity swap trades
- **Equity Settlement Cycle:** T+2

### MARKET EQUIVALENT CHARGES

Item	Buy (bps)	Sell (bps)
Sales Transaction Tax	0	10

### CUSTOM BASKET

- Custom and sector/thematic baskets available on request
- Please contact [delta1asia@morganstanley.com](mailto:delta1asia@morganstanley.com) to request access to the Morgan Stanley Custom Basket Launchpad

### SHORT ACCESS CONSIDERATIONS

- Short sales are not permitted
- Short access is possible via swap, inventory permitting

### MORGAN STANLEY SWAP OFFERING

	Equity	Futures	Notes
Product Access	Yes	No	
Long/Short	Long/Short	-	
<b>Execution platform</b>			
Voice and PT	Yes	-	Execution through local brokers only
MSET	No	-	
Algo suite	None	-	
<b>Swap currency</b>			
USD	Yes	-	
Local	No	-	
<b>Tax considerations</b>			
Dividends	No withholding tax		
<b>Other</b>			
Give-Ins	No	-	
IPOs and secondary placements	Yes	-	Please contact MS. Deal specific.

### CASH VS SWAP CONSIDERATIONS

- Local ID is not required to trade MS swaps
- MS has an execution relationship with local brokers
- MS will handle all pre-trade funding and repatriation on swap
- MS may hold cash onshore to allow buy orders to be initiated immediately, as prefunding can take up to 30 minutes

### CROSSING CONVENTIONS

- On exchange only
- Off market trading/crossing is not supported on swaps
- Crossing is not allowed on first day of listing
- MS can facilitate crossing between cash and swap on exchange through the block trading facility
- MS swaps allow the crossing price to be within the day's trading price range
- Normal voice commissions (including market charges) apply
- FX cannot be crossed directly
  - To minimize slippage, each side can target market FX at an agreed time
  - Buy and Sell FX will have different value dates

### CORPORATE ACTIONS

- **Cash Dividends**
  - FX rate for the dividend on swap will be set on pay date
- **Voluntary events**
  - Events requiring documentation will be reviewed on a case by case basis
  - Economics will be offered on swap once internal approvals are in place

## REGULATORY/DISCLOSURE CONSIDERATIONS

- **Long position reporting:** The State Securities Commission (SSC) and the Securities Trading Center (STC) require investors to disclose their ownership to the exchange within 7 days, when:
  - Ownership exceeds 5% of the outstanding shares on stocks and every subsequent 1% increment or decrement
  - Ownership subsequently drops below 5%
- MS is responsible for MS hedge disclosure and reporting

## FOREIGN OWNERSHIP THRESHOLDS

- Foreign ownership limits (FOL) apply to many stocks. Orders that would cause the foreign ownership to exceed the FOL will be rejected by the exchange.
- Telecom and banking sector stocks, the FOL is typically 30%
- Other sector stocks, the FOL is typically 49%
- Limits are posted on BBG page: FILL
- Popular FOL names are characterized by block trades at the limit up price, as foreign investors can only buy from other foreign investors when foreign ownership is at the limit
- Some companies may lock a part of its FOL to reserve for strategic partner, which could lower the 30% 49% limit

## CIRCUIT BREAKER / PRICE LIMIT

- No Index level circuit breaker
- Exchange
  - HSX:  $\pm 7\%$  of previous close
  - HNX:  $\pm 10\%$  of previous close
  - UPCoM:  $\pm 15\%$  of previous VWAP

## SWAP DOCUMENTATION REQUIRED

- Please refer to the Asia Swap Onboarding Guide in the Appendix for further information

## FURTHER INFORMATION LINKS

- Exchange websites
  - Ho Chi Minh Stock Exchange (HSX): <https://www.hsx.vn/>
  - Hanoi Stock Exchange: <https://hnx.vn/en-gb/>
- Foreign Institutional Investor Limits
  - Bloomberg: FILL

# Appendix

Morgan Stanley

# Delta One Structured Products

## FX Considerations on Swap

The following summarizes FX related considerations when trading out-of-currency swaps.

### SWAP CURRENCY TREATMENT

- MS offers swaps in both USD and local currencies (generally limited to non-restricted currency) on equities, indices, listed options, and custom baskets
  - USD swaps have FX exposure on the full notional of the equity
  - Local currency swaps have no direct USD exposure, but the market value of the swap will remain in local currency, and thus the market value in USD terms will move with FX

### MARKET SUMMARY

- The below table summarizes the default swap currencies and indicative FX timing for out-of-currency swap trades in each market
- FX is typically determined shortly after the corresponding equity market close. On occasion, however, large sized FX requirements or liquidity conditions may require FX to be determined outside of the indicated time periods
- There are additional market specific considerations, which are expanded upon below

Market	Local Currency	Default Swap Currency	Indicative Swap FX Timing (HKT)
Australia	AUD	AUD	14:10 - 14:25 (non-DST)
Hong Kong	HKD	HKD	16:15 - 16:30
Japan	JPY	JPY	14:00 - 14:15
Singapore	SGD	SGD	17:05 - 17:20
New Zealand	NZD	NZD	13:00 - 13:15 (non-DST)
China Connect	CNH	CNH	15:05 - 15:20
China A (QFII)	CNY	USD	15:05 - 15:20
China B	HKD or USD	HKD or USD	16:15 - 16:30
Korea	KRW	USD	14:15 - 14:30
Taiwan	TWD	USD	14:00 - 14:20
Indonesia	IDR	USD	16:55 - 17:10
Malaysia	MYR	USD	16:55 - 17:10
Philippines	PHP	USD	15:40 - 15:55
Thailand	THB	USD	17:40 - 17:55
India	INR	USD	17:55 - 18:10
Vietnam	VND	USD	15:45 - 16:15

### GENERAL CONSIDERATIONS: SINGLE STOCK / PORTFOLIO SWAPS

- Swap Currency Treatment**
  - Morgan Stanley typically offers a single swap currency treatment per market
  - If clients wish to trade swaps in both local currency and USD in the same market, segregated position keeping is required
  - Orders must be tagged upfront, allowing MS to systematically determine which orders require different FX treatment
  - Please see the Position Keeping Guide in the Appendix for more information on the benefits and implications of segregated position keeping

- FX Timing:**
  - Generally, FX is determined around the relevant equity market close for all out-of-currency equity swap bookings, on a reasonable endeavors basis
  - Early FX: On request, post completion of a corresponding equity order, Morgan Stanley swaps desk may determine FX earlier than the time stated in the above table
  - Where FX cannot be determined on trade date (e.g. due to a trading holiday for that currency, or liquidity issues for that currency), Morgan Stanley will establish a "box swap" position for the client.
    - This will involve booking the outstanding trade to a local currency denominated swap (no financing leg) until such time the FX rate can be determined
    - The final FX rate will be applied on the swap once Morgan Stanley has been able to determine the FX, and simultaneously, the local currency denominated swap position will be unwound
  - Note for some emerging market currencies, particularly during periods of illiquidity, Bloomberg may not accurately reflect prevailing FX rates or bid/ask spreads
- FX Rate and Communication:**
  - Client swaps are booked after the FX rate has been determined, with a single FX rate being applied to a client's buy and sell trades for the day. Note, however, for markets where FX requirements on buys and sells cannot be netted (e.g. Vietnam and India), separate FX rates will apply on buy and sell trades
  - In line with equity settlement cycles of the corresponding market, swap FX rates may incorporate a forward point spread to account for settlement date differences to spot
  - Morgan Stanley can disseminate the FX rate applied on swap trades in the following ways:
    - Via FIX, once orders are marked "Done-for-Day". In this method, FX is generally disseminated within 30 minutes after the respective market close
    - Via FTP file, post swap trade booking completion
    - Via email on post-trade swap recaps
  - FX rates are also detailed on the T+1 PB swap reporting
  - Clients can select their preferred FX rate communication method from the above
- FX Fixings:**
  - It is generally not possible to use standard local FX fixings to determine the swap FX rate as such fixings typically take place earlier in the trading day, in advance of the respective equity market close. Also, liquidity for such fixings is not guaranteed by FX dealers and slippage may be realized on FX targeting such fixing
- FX NDFs:**
  - Morgan Stanley FX desk can assist to setup clients to trade FX NDF hedges using our Electronic FX platform within Matrix
  - Please contact the Morgan Stanley FX desk to discuss options, [fxinthk@morganstanley.com](mailto:fxinthk@morganstanley.com)



## CHINA QFII/STOCK CONNECT

- CNY is the official settlement currency for trades executed directly onshore on the local Shanghai/Shenzhen exchanges. However, CNY is highly regulated by the central bank and capital controls are in place for every FX transaction
- CNH is a freely tradable currency by offshore counterparties (no approvals required). It correlates with the movement of onshore CNY, but the actual FX rate may not be exactly 1 for 1
- **QFII:** buys and sells orders on swap are dollarized at the T+1 FX rate
- **China Stock Connect:** buys and sells orders on swap are dollarized at the T+1 FX rate (CNH+TN CMPN Curncy)

## KOREA

- The FX market officially closes at the same time as the equity market at 14:30 HKT. For this reason, swap FX times commence 15 minutes prior to the equity market close

## TAIWAN

- The FX market is closed for lunch break from 12:00 to 14:00 HKT, while the equity market closes at 13:30 HKT. The FX is determined when the FX market reopens between 14:00 and 14:20 HKT

## MALAYSIA

- The Central Bank of Malaysia requires evidence of matched equity transactions before the corresponding FX can be executed. In order to ensure determination of FX rates on trade date, Morgan Stanley may execute FX through equity brokers. Bloomberg may not accurately reflect prevailing FX rates or bid/ask spreads

## INDIA

- FX requirement on buys and sells cannot be netted
- A client's buys are dollarized at the T+1 FX rate, while sells are dollarized at the T+2 FX rate

## VIETNAM

- Buy orders require pre-funding
- While ordinarily this could delay the execution of the equity order, Morgan Stanley swaps desk has specific arrangements in place which enables facilitation of client orders within a certain size without this delay
- For large orders, FX conversions and pre-funding may have to be put in place prior to commencement of order execution

## CORPORATE ACTION CONSIDERATIONS

- The FX rate applicable on dollarization of manufactured cash dividends on swap is determined on i) Dividend ex-date for Australia, New Zealand, Japan, Hong Kong and Singapore markets and ii) Dividend pay-date for all other markets
- The FX rate applicable on dollarization of non-cash dividend corporate actions on swap is determined on the corresponding pay-date, shortly after Morgan Stanley has received confirmation of the payment and as soon as reasonably practicable
- For subscription offers with pre-funding requirements, the FX will be determined on or around the subscription deadline date

## IPO & SECONDARY PLACING CONSIDERATIONS

- For synthetic access to deals requiring pre-funding, the FX rate is determined at the point of the pre-funding.
- For deals that do not require pre-funding, the FX rate is determined after Morgan Stanley has received confirmation of allocation and as soon as reasonably practicable

## SWAP VALUATION AND SWAP M2M REPORTS

- The default FX rate reference for Asian swap valuations, mark-to-market calculations and swap resets is the Morgan Stanley Hong Kong Regional Close Price FX rate (HKRCP). This Spot FX rate is snapped off the Reuters Real-time Data Feed at 17:00 HKT for all non-JPY currencies and at 15:30 JST for JPY
- The WM/Reuters FX fixing rate is also available as an alternative FX rate reference on request

## CONSIDERATIONS FOR GIVE-INS

- Clients should specify if the FX rate for a Give-in trade will be determined by the executing broker or by Morgan Stanley. This preference will be established as a standing instruction by the client and will be applicable on all Give-ins received by Morgan Stanley
- Clients should be aware that some executing brokers may not be able to settle shares in a currency other than the currency of the underlying
- If the client prefers Morgan Stanley to determine the FX, Morgan Stanley will determine the FX on a reasonable endeavors basis, once the trade has been reported by the executing broker
- Clients should be aware the FX rate determined for the trade may differ from the FX rate determined on swap trades done with Morgan Stanley that same day

## GENERAL CONSIDERATIONS: FUTURES ON SWAP

- The FX applicable to the futures on swap is determined during the same time frame as that for single stock/portfolio swaps, on a reasonable endeavors basis
- Currency settings should be set at the market level to apply across all products in that market. For example, if LCS is chosen for Taiwan, it would apply to both SSFs and TAIEX futures
- **Local Currency Swaps (LCS)**
  - FX exposure is limited to unrealized mark-to-market
  - FX rate is struck at prevailing spot rates only on swap unwind or expiry, to convert realized performance from local currency to USD for swap settlement
  - Swap cash flows are settled in USD
- **Out-of-Currency Swaps (OCS)**
  - An FX rate is applied on each trade to convert the traded notional to USD
  - FX exposure applies to the full notional of the swap
  - FX rate is struck at prevailing NDF rates with NDF tenor = futures expiry date + 1 on increases, unwinds and expiries for the traded notional
  - Swap cash flows are settled in USD

## GENERAL CONSIDERATIONS: INDEX SWAPS

- Where an FX is required for basket / index swaps, Morgan Stanley can offer the following methodologies to determine the FX rate:
  - **Determine FX around corresponding equity market close**
  - **Intraday FX:** Morgan Stanley swaps desk may determine the FX rate early upon request
  - **WM/Reuters FX fixing rate.** Morgan Stanley swaps desk may determine the FX in reference to the WM/Reuters FX fixing rate on a reasonable endeavors basis. Note, for indices with global constituents, the final execution price for the index may hence not be available until the following day
- WM/Reuters FX fixing times can be found on the following link: <https://financial.thomsonreuters.com/en/products/data-analytics/market-data/financial-benchmarks/spot-rates.html>

# Delta One Structured Products

## Corporate Action Overview

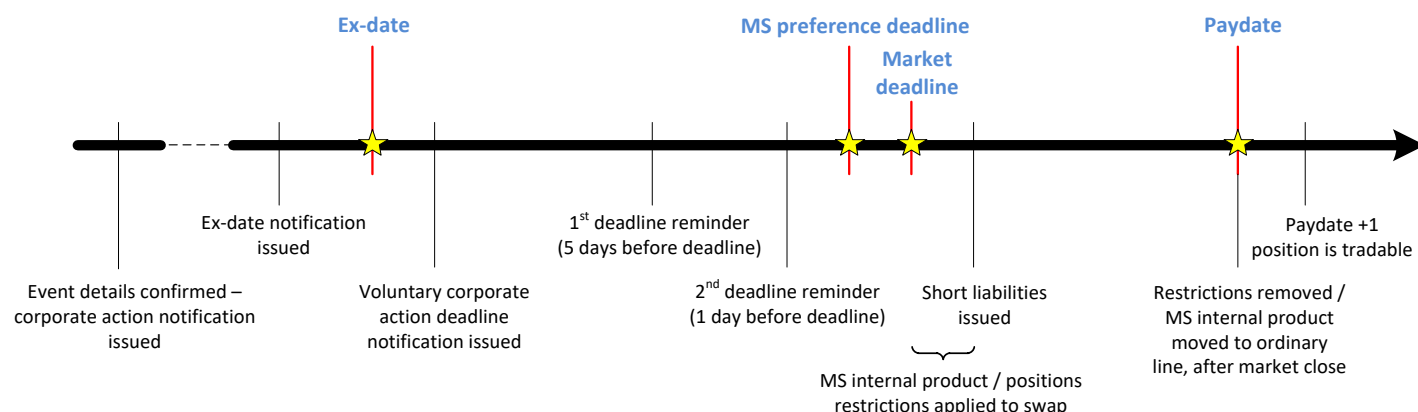
The following are summaries of the most common corporate action events in Asian markets, and market specific considerations for each event. Please note this is not meant to be exhaustive.

### CORPORATE ACTION CONSIDERATIONS

- **Mandatory Corporate Action Events**
  - Swap bookings take place on the ex-date of the corporate action event
  - Types of events include cash dividends, stock dividends, stock splits, reverse splits, rights issues, spinoffs
- **Voluntary Corporate Action Events – Long Holders**
  - Clients holding long swap positions may have the opportunity to effect the economics of a corporate action event on their swap position
  - Clients may provide their economic preference electronically through the **Matrix** portal by the Morgan Stanley preference deadline date as indicated on the portal
  - Once the Morgan Stanley swaps desk has noted the client’s preference, the event status will update to “preference noted” in Matrix
  - Alternatively, clients may provide their economic preference electronically via SWIFT by the Morgan Stanley preference deadline (additional setups may be required for this method)
  - Clients who are not set up on Matrix, or SWIFT, may provide their economic preference via email
  - Morgan Stanley will look to effect the client’s preference on a reasonable endeavors basis
- **Voluntary Corporate Action Events – Short Holders**
  - Clients holding short swap positions will be subject to lender’s economic preference
  - **Please note that a short liability may apply even for events and economics that are not available to long swap holders**
  - Morgan Stanley will usually communicate the lender’s preference, via email, within a few days after the election deadline date
- **Deadlines for Voluntary Events**
  - The Morgan Stanley swaps desk will issue two reminders via email; 5 days before the Morgan Stanley preference deadline, and 1 day before the Morgan Stanley preference deadline
  - Clients may provide their economic preference for long swap positions by the Morgan Stanley preference deadline date stated on the notification

- Morgan Stanley swap preference deadlines are typically 24-48 hours **before** the market deadline
- If no economic preference is stated by the deadline, the default option for the event (as stated in the corporate action notification) will be effected on swap
- **Restricted / Morgan Stanley Internal Product**
  - Where the economic outturn of a corporate action event is a new position on swap, that position will be allocated to swap as soon as reasonably practicable
  - Where pay date of the outturn is not the same as ex-date:
    - If the outturn is the same as the original position, it will be flagged as restricted until it pays
    - A Morgan Stanley **internal product** (a product with a **.msdy** suffix) will be booked where the outturn is a different line to the original position. These products will often have a value assigned to them to ensure they contribute appropriately to portfolio valuation
  - Positions flagged as restricted are not tradable until either the restriction is removed, or the internal product is moved to the tradable line. This generally takes place **after** market close on pay date
    - For certain markets/events, where the pay date does not represent the date at which positions are tradable, positions may be further restricted until an “available date”
- **FX**
  - For clients holding USD denominated swap positions, the FX for the corporate action where applicable (except for cash dividends) will be executed on pay date shortly after Morgan Stanley has received confirmation of the payment and as soon as reasonably practicable
  - For cash dividends, please refer to the cash dividend table for FX timings
  - For subscription offers, where pre-funding is applicable, the FX will be executed on or around the election deadline date
- **Pay-To-Holds (PTH)**
  - Mandatory (non-dividend) and voluntary corporate action events are not offered on PTH positions on swap
  - Cash dividends are accrued on PTH positions on swap. The PTH position involves booking both a long swap position and a short swap position, with the borrow cost applied to the short swap position. A cash dividend accrual would be applied to the long position at the long dividend percentage rate, and a dividend accrual would be applied to the short position at the short dividend percentage rate

### CORPORATE ACTIONS TIMELINE



## CORPORATE ACTION NOTIFICATIONS

- Morgan Stanley is able to provide clients access to automated corporate action notifications, received via email, for both mandatory and voluntary corporate action events
- The notifications are generated once Morgan Stanley receives confirmed information from our external sources, and are periodically updated throughout the lifecycle of the event
- Clients will receive notifications as long as they hold an open position on swap for that corporate action event

## CASH DIVIDENDS

- Cash dividend accruals on swap take place on ex-date. Cash dividend payments pay on swap on **dividend payment date**, unless dividend cash flows are deferred

	Local CCY Payment	Swap CCY Payment
Developed	Y	Y
Emerging	N	Y
Frontier	N	Y

- Cash dividend pass-through rates on swap, and FX timings for out-of-currency payments (as of July 2020):

Market	Long Div. %	Short Div. %	FX Timing
Australia	100% <sup>1</sup>	100% offshore 142.86% onshore	Ex-date
Hong Kong	100% non H-shs 90% H-shs	100%	Ex-date
Japan	90%	100%	Ex-date
Singapore	100% of Net 90% REITs	100%	Ex-date
New Zealand	85%	100%	Ex-date
Korea	85%	100%	Pay date
Taiwan	90%	100%	Pay date
India <sup>2</sup>	78.16% 94.54% REITs	-	MS determined
China-A QFII	90%	-	Pay date
China Connect	90%	100%	Pay date
Malaysia	100% 76% REITs	100%	Pay date
Indonesia	80%	100%	Pay date
Thailand	90%	100%	Pay date
Philippines	70% 90% REITs	100%	Pay date
Vietnam	100%	100%	Pay date

<sup>1</sup> securities domiciled outside of Australia, Morgan Stanley offers 85% dividend on swap. For US domiciled stocks listed in Australia, see below note titled "Dividends on US Domiciled Stocks"

<sup>2</sup> please refer to cash dividend section for India in the market specific considerations

### Dividends on US Domiciled Stocks

Regulations under Section 871(m) of the U.S. tax code imposes a withholding tax of up to 30% on "dividend equivalent payments" received by non-U.S. persons through certain equity swaps and equity-linked instruments over U.S. domiciled equities. Such withholding commenced on transactions entered into on or after January 1, 2017. Currently, Morgan Stanley offers 100% dividend entitlement on long swap positions over Australian-listed, U.S. domiciled equities. Additionally, a blended withholding rate will be applicable based on the swap holder's domicile and tax status

## STOCK DIVIDENDS

- Stock dividend accruals on swap take place on ex-date. Clients have the option to select one of two different stock dividend accrual methodologies (determined at the account setup stage)
  - **Existing Tax Lot** – the number shares on each open lot is adjusted for the dividend. Cost basis on each open lot remains unchanged
  - **New Tax Lot** – stock dividend shares are applied to swap as a single line booking entry at zero price. The quantity and cost basis of each open lot remains unchanged
- Stock dividends may be taxable. Please refer to market specific considerations section for markets where this may be applicable
- **Restricted Positions**
  - Where the pay date of the stock dividend does not equal the ex-date of the dividend, Morgan Stanley will apply the stock dividend to swap as a restricted booking on the same line
  - Swap reporting on T+1 will reflect the new position, but the tradable position will exclude the restricted position
  - Orders to long sell positions that are yet to pay will be rejected. Positions will become available to trade on paydate+1

## SCRIP / DRIP DIVIDENDS

- **SCRIP – Cash/Stock Option Event (HK/SG/MY)**
  - A company allows shareholders to take their dividend in the form of **new shares** rather than cash. The dividend is paid out of retained earnings
- **DRIP – Dividend Reinvestment Plan (AU)**
  - A company allows shareholders to take their dividend in the form of **existing shares** rather than cash.
- For SCRIP and DRIP dividend events, Morgan Stanley will accrue a cash dividend on swap on ex-date
- On the corporate action deadline date, clients/lenders will have the option to effect the economics of receiving cash or the SCRIP/DRIP alternative
- For clients, or lenders, who opt for the economics of the stock option, the following updates will take place on swap:
  - Cash dividend accrual will be adjusted.
    - For a 100% stock election preference, the cash dividend will be fully removed and replaced by shares.
    - For a partial stock election preference, the cash dividend accrual will be reduced by the number of shares that have been elected for stock
  - Positions for the stock election option will be applied to swap as a stock dividend accrual. The methodology for this will be determined as stated in the Stock Dividends section. The dividend will effectively be realized upon unwind of the lot(s) on which the stock accrual has taken place

## TENDER OFFERS / BUYBACKS

- **Morgan Stanley Internal Product** – If clients choose to effect the economics of a tender on swap:
  - Morgan Stanley will move the swap position to an internal tendered line (a product with a **.msdy** suffix) shortly after the tender deadline
  - Positions will be transferred from the ordinary line to internal line at cost
  - Once the position is moved to the internal line, the position is not tradable for the duration of the tender event. Orders to long sell the position will be rejected
  - All performance of accepted positions will be realized on the internal line when the internal line is unwound against the tender price on pay date

- To illustrate with an hypothetical example
  - Client buys on swap 100 abc.hk @ HKD 10
  - Current market price = HKD 12
  - Tender price = HKD 15
  - Client communicates preference to effect the economics of a tender
  - Election deadline date +1:
  - Swap unwind: 100 shs abc.hk @ HKD 10
  - Swap open: 100 shs abc.msdy @ HKD 10
  - Tender paydate: Unwind 100 shs abc.msdy on swap @ HKD 15
- **Scale Backs** – In the event there is a scale back on the tender
  - Unsuccessful positions will be moved back from the internal line to the ordinary line at cost. No equity performance will be generated on the internal line
  - Successful positions will be taken down vs the tender price on pay date
- Note, in the event Morgan Stanley is acting as an advisor on a tender offer, Morgan Stanley swaps desk may not be able to offer the economics of a tender on swap until the event has been declared wholly unconditional as to acceptances. Clients should check with the Morgan Stanley swaps desk on a case by case basis

## RIGHTS ISSUES / SUBSCRIPTION OFFERS

- **Rights Issue**
  - Rights are applied to swap on ex-date at zero price.
  - Where rights are non-tradable, Morgan Stanley will book a position to swap under an internal line to reflect the entitlement to the rights
- **Subscription Offer**
  - For clients who opt to effect the economics of a subscription offer on swap, shortly after the deadline date, Morgan Stanley will take down the rights on swap at zero price, and apply the outturn position to swap at the subscription price
  - Note, this position will be restricted on swap until paydate+1. Orders to long sell the position prior to this time will be rejected
  - For clients who opt to effect the economics of lapsing the rights, the rights will be unwound on swap at zero price
- **Oversubscriptions**
  - Some events may carry the option to oversubscribe, subscribing over and above the basic entitlement
  - These events may be subject to a **scale back**
  - Successful oversubscription positions will be allocated to swap on pay date
  - Note, rights bought on swap on a secondary basis may not always carry the option to oversubscribe. Clients should check with the Morgan Stanley swaps desk if this applies on a case by case basis
- **Prefunding**
  - All subscription and oversubscription events in Emerging Asian markets and Frontier markets are prefunded
  - There is a funding cost associated with this. Morgan Stanley will apply a cash position on swap (a product with a **.CASH** suffix) equivalent to the cash notional of the funding requirement, and apply a financing spread
  - Clients should check with the Morgan Stanley swaps desk ahead of the subscription election deadline to discuss financing

- **FX Hedging**
  - Morgan Stanley swaps desk may be able to offer FX hedging solutions for **oversubscription** events. Clients should contact the Morgan Stanley swaps desk to discuss options
  - The currency of the .CASH booking that is applied to swap will be adjusted appropriately based on the FX hedging option the client chooses to apply
- **CB / Fixed Income Outturns** – Morgan Stanley does not offer corporate action events on swap where the outturn of the event is a convertible bond or other fixed income product

## SPINOFFS

- Spinoffs are booked to swap on ex-date
- In the event the outturn does not pay on ex-date, the outturn will be allocated to swap using a Morgan Stanley internal product to reflect the entitlement. The internal product will be replaced with the tradable position the day before the listing date of the outturn so that the position is ready to trade from the open on the first day of trading
- **New Cost Basis Ratio** – Clients have the option of effecting the spinoff booking using one of two methods
  - **Zero Cost (not applicable for India)** – the spinoff outturn is applied to swap at zero price. Full costs basis is retained on parent line of stock
  - **Unwind at cost and reopen at cost** – the corporate action event may announce a new cost basis ratio. This will be used to split the cost basis of the swap holding between the parent line of stock and the spinoff line. Positions on the parent line will be taken down at cost, adjusted down based on the new cost basis ratio, and then rebooked to swap at the reduced cost. The balance of the cost basis will be applied to the new spinoff line
- In the event a new cost basis ratio is not announced, Morgan Stanley will wait until the spinoff line of stock commences trading before determining the appropriate cost basis ratio to apply to the position
- Additional booking and FX considerations should be taken where the outturn positions are across different jurisdictions

## MERGERS / SCHEME OF ARRANGEMENTS

- Mergers / Scheme of Arrangement / Merger with Election events are booked to swap on the pay date of the event.
- **All Cash Merger**
  - The acquiring company only offers cash in the deal.
  - In this scenario, the total swap position is taken down on pay date against the offer price
  - In the event the offer price currency is in a currency that is different to the swap currency, an FX for the corporate action will be executed on pay date
- **All Stock Merger**
  - The acquiring company only offers stock in the deal.
  - In this scenario, the total swap position is taken down at cost on pay date, and the new position is applied to swap at the same cost
  - The quantity and price of the new position will be adjusted to account for any stock payout ratios such that the total open notional of the position is transferred to the new position
  - In the event the outturn position on swap pays ahead of the first day of trading, a Morgan Stanley internal product will be applied to swap to reflect the entitlement. This product will then be replaced with the tradable line of the position prior to market open on the first day of trading

- **Stock and Cash Merger**

- The acquiring company offers both stock and cash in the deal
- In this scenario, the total swap position is taken down at cost on pay date. This cost is then adjusted down by the cash consideration that is being paid out by the company. The reduced cost notional is then applied to the new outturn line.
- Using this methodology the cash component of the event is embedded into the notional that is transferred over to the new outturn line
- In the event the outturn position on swap pays ahead of the first day of trading, a Morgan Stanley internal product will be applied to swap to reflect the entitlement. This product will then be replaced with the tradable line of the position prior to market open on the first day of trading
- In the event the cash component of the offer is in a currency that is different to the swap currency, an FX for the corporate action will be executed on pay date

- **Mix and Match Facility**

- Occasionally, a merger event may provide a mix and match facility, where the holder has the option to take either (a) the basic stock and cash option, or (b) all stock or (c) all cash alternative
- In this scenario the all stock and all cash alternatives may be subject to scale back
- Clients will have the opportunity to provide their economic preference for such an event. Where the economic preference has been subject to scale back, Morgan Stanley will communicate that to clients as soon as reasonably practicable

## SWAP REPORTING FOR CORPORATE ACTIONS

- Morgan Stanley is able to provide information of the corporate actions events accruals applied to swap via a number of reports available through Matrix, the Morgan Stanley Prime Brokerage Portal:
  - **EQSWAP35A – Equity Swap Cash Dividends Report** – this report shows all cash dividend accruals applied to swap
  - **EQSWAP37 – Equity Swap Daily Trading Activity Report** – this report shows all non-cash dividend bookings applied to swap
  - **EQSWAP60 – Equity Swap Corporate Action Report** – this report shows all voluntary corporate action event bookings applied to swap. Additionally, it provides details of the economic preferences selected by the client for a specific corporate action event, the eligible positions, and the corresponding outturn economics for the event
  - **PBCAR001 – Outstanding Corporate Action Summary Report** – this report shows a consolidated summary view of upcoming mandatory and voluntary events for positions held on swap, including eligible positions, event economic options and a short description of the event. This report can be used in conjunction with the automated corporate action notifications



## Delta One Structured Products

### Market Specific Considerations

#### AUSTRALIA



MANDATORY EVENTS		VOLUNTARY EVENTS		
Accelerated Rights Issue	DRIPS	Tender Offer	Share Purchase Plan	Priority Offer
<ul style="list-style-type: none"> <li>Long Entitlement: Manufactured under the "Retail Entitlement Offer"</li> <li>Short Liability: Manufactured under either the "Institutional" or "Retail" Entitlement Offer – or partial both</li> <li>Retail entitlements may be tradable on market</li> <li>In the case of lapsed rights, there may be bookbuild proceeds – rights are sold by the lead manager</li> </ul>	<ul style="list-style-type: none"> <li>Short Liability: In the event lenders opt for the DRIP option instead of cash, this will be reflected as 100% of the net dividend</li> <li>For domestic borrow the balance of the franking credit, 42.86%, will be charged in cash</li> </ul>	<ul style="list-style-type: none"> <li>IAF - Institutional Acceptance Facility - on certain events, long swap holders may have the ability to revoke their preference to effect the economics of a tender up until an event is declared unconditional as to acceptances</li> <li>Once an event is declared unconditional, this is no longer possible</li> </ul>	<ul style="list-style-type: none"> <li>Not offered on swap</li> </ul>	<ul style="list-style-type: none"> <li>Not offered on swap</li> </ul>

#### HONG KONG



MANDATORY EVENTS		VOLUNTARY EVENTS	
Cash dividend	Stock Split / Reverse Split	Tender Offer / Buyback	Subscription Offer
<ul style="list-style-type: none"> <li>Occasionally events may carry the option to select a currency on the dividend outside of the currency in which the shares trade</li> <li>The default action on swap will be to pay the dividend in swap currency</li> </ul>	<ul style="list-style-type: none"> <li>Shares will trade in parallel on a temporary code from ex-date for a set period, generally 2 weeks</li> <li>Positions will be moved to the temp code on ex-date and then will move back to the original stock code on pay date</li> </ul>	<ul style="list-style-type: none"> <li>All tender offers are stampable</li> <li>This applies to long and short positions</li> </ul>	<ul style="list-style-type: none"> <li>Certain events may carry additional brokerage charges, SFC transaction levies, and stock exchange trading fees</li> <li>These will be stated on the notification, and applied as a commission value on swap on any positions acquired through the subscription</li> <li>For certain events, an oversubscription facility may be available</li> </ul>

#### JAPAN



MANDATORY EVENTS	
Cash Dividend	Stock Split / Reverse Split
<ul style="list-style-type: none"> <li>The dividend rate applied to swap in some cases may be indicative and subject to change/cancellation, dependent upon the company announcement</li> <li>Pay date typically 3 months after ex-date. Date is not announced in advance</li> </ul>	<ul style="list-style-type: none"> <li>The ex-date for a split event is typically at the end of the month, such that the shares settle and are available for trading on the first business day of the next month</li> </ul>

#### SINGAPORE



VOLUNTARY EVENTS	
DRIPS	Tender Offer
<ul style="list-style-type: none"> <li>Dividend reinvestment plans on REITs – the dividend distribution is typically divided into 4 components:               <ol style="list-style-type: none"> <li>Taxable income component</li> <li>Tax-exempt income component</li> <li>Capital component (non-taxable)</li> <li>Other gains component (non-taxable)</li> </ol> </li> <li>Holder who opt for the share option will receive positions on swap based on the net dividend amount of the taxable component, and the gross dividend amount of the non-taxable components</li> </ul>	<ul style="list-style-type: none"> <li>Tender offers may occasionally have a rolling deadline</li> <li>Clients are able to provide their economic preference to tender positions at any time prior to the final deadline</li> <li>Once the final deadline has been reached, the offer will typically become a mandatory event, at which point any outstanding positions are taken down vs the tender price</li> </ul>

KOREA



MANDATORY EVENTS

Cash Dividend	Stock Dividend	Stock Split / Reverse Split	Spinoff
<ul style="list-style-type: none"> <li>Typically go ex- on, or around, 29th December</li> <li>Pay dates are approximately 3 months after ex-.</li> <li>The announced dividend is a proposed rate and is subject to AGM approval within 3 months of the ex-date</li> <li>It is not uncommon for the cash dividend to be cancelled after the original announcement.</li> <li>FX will be executed on pay date by Morgan Stanley's custodian</li> </ul>	<ul style="list-style-type: none"> <li>The vast majority go ex on or around 29th December</li> <li>Pay dates are approximately 3 months after ex-.</li> <li>The announced dividend is only a proposed rate and is subject to AGM approval within 3 months of the ex-date</li> <li>Morgan Stanley may apply an indicative split accrual based on information we receive from external sources</li> <li>Where withholding tax is applicable on the dividend, Morgan Stanley will accrue the shares based on the confirmed stock dividend ratio, and separately apply a cash accrual to claim the withholding tax</li> <li>The withholding tax calculation method is as follows: <i>Entitled Position x Stock Dividend Ratio x Par Value x Tax Rate</i></li> </ul>	<ul style="list-style-type: none"> <li>No ex-dates announced for splits, just record dates</li> <li>Shares are suspended from trading from record date through to pay date</li> <li>Suspension can be for a period between 2 weeks and 1 month</li> </ul>	<ul style="list-style-type: none"> <li>Typically a Spinoff event will be accompanied by a Reverse Split (share consolidation), and some cases a Stock Split also</li> <li>The Stock Split would take place first, followed by the Reverse Split and Spinoff</li> <li>The sum of the Reverse Split ratio and the Spinoff ratio typically equals 1</li> <li>Shares are suspended from trading from record date through to pay date</li> <li>Suspension can be for a period between 2 weeks and 1 month</li> </ul>

VOLUNTARY EVENTS

Subscription Offer	Tender Offer	Consent Offer
<ul style="list-style-type: none"> <li>The subscription price for an event may not be confirmed until shortly before the election deadline date</li> <li>For certain events, an oversubscription facility may be available</li> <li>Typically the maximum amount that can be oversubscribed is 20% of the rights holding</li> <li>All subscriptions and oversubscriptions need to be pre-funded</li> </ul>	<ul style="list-style-type: none"> <li>45bps Sales Transaction Tax applicable on all tender offers (note, this is different to the 25bps Sales Transactions Tax levied on regular sell trades)</li> <li>This applies to long and short positions</li> </ul>	<ul style="list-style-type: none"> <li>Not offered on swap</li> </ul>

TAIWAN



VOLUNTARY EVENTS		
Subscription Offer	Consent Offer	Merger Event
<ul style="list-style-type: none"> <li>It is common for the issuer to give lapsed shareholders a second chance to subscribe</li> <li>In this case, lapsed rights from the first deadline will be credited back on swap after the announcement of the second round subscription offer</li> <li>Oversubscriptions are not offered in Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>Not offered on swap</li> </ul>	<ul style="list-style-type: none"> <li>30bps Sales Transaction Tax applicable on all merger events</li> <li>This applies to long positions</li> </ul>

CHINA



MANDATORY EVENTS		VOLUNTARY EVENTS	
Stock Dividend / Bonus Issue	Rights Issue	Subscription Offer	Tender Offer
<ul style="list-style-type: none"> <li>Stock dividends that are distributed from a company's profits or retained earnings are subject to 10% withholding tax</li> <li>Bonus shares that are distributed from a company's capital reserve are tax exempted</li> <li>Stock dividends/Bonus issues pay on swap as follows:                             <ul style="list-style-type: none"> <li>- Shenzhen Connect, pre-open on ex-date</li> <li>- Shanghai Connect and both lines of China A are after market close on ex-date, and so are tradable on ex-date +1</li> <li>- China B after market close on announced paydate</li> </ul> </li> <li>The withholding tax calculation method is as follows:  <math>Entitled\ Position \times Stock\ Dividend\ Ratio \times Par\ Value \times Tax\ Rate</math> </li> </ul>	<ul style="list-style-type: none"> <li>Shares may be suspended from trading between record date and ex-date, which is usually 7 days</li> <li>Rights are non-tradable</li> </ul>	<ul style="list-style-type: none"> <li>The subscription period is usually very short, sometimes 1 day only</li> <li>Oversubscriptions are not offered in China</li> </ul>	<ul style="list-style-type: none"> <li>Shares may be suspended from trading shortly after the tender deadline while the results of the tender offer are confirmed</li> <li>For partial tender offer events, the timing of unlocking of unsuccessful shares may not be known at the outset</li> <li>Deadline for tender offer events on China Connect lines of stock are generally earlier than China A lines</li> <li>Market charges may be applicable</li> </ul>

INDIA



MANDATORY EVENTS			
Cash Dividend	Bonus Issue	Reverse Split / Stock Split	Rights Issue
<ul style="list-style-type: none"> <li>Dividend Stripping: if the position has been established within 3 months prior to record date, AND is sold within 3 months after record date, any short term capital loss incurred in the sale of that position to the extent of dividend received on shares so sold, may not be offset against gains for CGT purposes</li> </ul>	<ul style="list-style-type: none"> <li>Bonus Shares are booked to swap as a new tax lot at zero cost and are subject to CGT upon unwind</li> </ul>	<ul style="list-style-type: none"> <li>Splits will be accrued on the swap that holds the position</li> <li>Where the position is on a grandfathered swap, this will continue to remain grandfathered for CGT purposes</li> </ul>	<ul style="list-style-type: none"> <li>Rights are booked to swap at zero price</li> <li>Buying and Long sell of tradeable rights offered on swap</li> <li>Deduction rates will be applicable at the non-equity rate 32.76% and not netted against equity gains/losses</li> <li>However, Morgan Stanley can continue to facilitate the economics of a subscription on long swap positions</li> </ul>

MANDATORY EVENTS		VOLUNTARY EVENTS	
Merger	Spinoff	Tender Offer / Buyback	Subscription Offer
<ul style="list-style-type: none"> <li>Merger with a stock payout, the outturn position will be allocated to non-grandfathered swaps and be subject to CGT*</li> <li>However, if the original holding was grandfathered, the booking of the outturn position will recognize the acquisition date of the original position to determine short term vs long term tax status</li> </ul>	<ul style="list-style-type: none"> <li>Spinoff shares will be allocated to non-grandfathered swaps and be subject to CGT*</li> <li>Cost will be split between existing and spun-off company based on the new cost basis ratio published by the company</li> <li>The booking of the outturn position will recognize the acquisition date of the original position to determine short term vs long term tax status</li> </ul>	<ul style="list-style-type: none"> <li>Partial tenders, any unsuccessful shares are returned back from the internal tendered line to the ordinary line</li> <li>Where the position is on a grandfathered swap, unsuccessful shares will continue to be grandfathered</li> </ul>	<ul style="list-style-type: none"> <li>Subscribed shares are applied to non-grandfathered swaps at the subscription price, and are subject to CGT upon unwind*</li> <li>Oversubscriptions are not offered on swap in India</li> </ul>

\* gains realized on corporate action positions on grandfathered swaps would be subject to the full non-treaty CGT rate of 16.38% and would not be nettable against losses on positions initiated post 1<sup>st</sup> April 2017.

THAILAND



LOCAL / NVDR / FOREIGN					MANDATORY EVENTS		VOLUNTARY EVENTS			
Morgan Stanley does not offer corporate actions on the local line of shares, except for:					Stock Dividend		Tender Offer		Subscription Offer	
					Local Line (less than 100% FOL)		Local Line (100% FOL)			
<ul style="list-style-type: none"> <li>Stock splits, reverse splits, ISIN change, tenders, and return of capital (events where proceeds derive from the par value of this security)</li> <li>Corporate Actions on REITS and other funds with 100% Foreign ownership limit</li> </ul>					<ul style="list-style-type: none"> <li>Where withholding tax is applicable on the dividend, Morgan Stanley will accrue the dividend based on the confirmed stock dividend ratio, and separately apply a cash accrual to claim the withholding tax</li> <li>The withholding tax calculation method is as follows: <i>Entitled Position x Stock Dividend Ratio x Par Value x Tax Rate</i></li> <li>In some cases, stock dividend positions may not be available to trade on the paydate of the event. Morgan Stanley will provide an “available date” in the corporate action notification in such an event. Share will be available to trade on the stated available date</li> </ul>		<ul style="list-style-type: none"> <li>Certain events may carry additional brokerage charges and value added tax (VAT). These will be stated on the notification</li> <li>The tender price will generally be net of these charges</li> <li>If a preference to effect the economics of a tender is revoked during the cancellation period, transactions fees may still be applicable</li> </ul>		<ul style="list-style-type: none"> <li>Subscription offers are required to be prefunded</li> <li>Outturn securities may be ordinary shares and/or warrants</li> <li>FX is executed on subscription deadline date, not pay date</li> <li>For certain events, an oversubscription facility may be available</li> </ul>	
Event Type	Foreign Line	NVDR Line	Local Line (less than 100% FOL)	Local Line (100% FOL)						
Cash Dividend / ROC	✓	✓	✗	✓						
Stock Dividend	✓	✓	✗	✓						
Stock Split / Reverse Split	✓	✓	✓	✓						
Bonus Issue	✓	✓	✗	✓						
Tender Offer	✓	✓	✓	✓						
Rights subscription	✓	✓	✗	✓						
ISIN Change	✓	✓	✓	✓						

**PHILLIPINES**



VOLUNTARY EVENTS	
Subscription Offer	Oversubscriptions
<ul style="list-style-type: none"> <li>Subscription offers are required to be prefunded</li> <li>FX is executed on subscription deadline date, not pay date</li> </ul>	<ul style="list-style-type: none"> <li>While certain events do carry an oversubscription facility, refund payments for unsuccessful oversubscription requests can be difficult to receive back</li> <li>As such, Morgan Stanley does not offer the economics of an oversubscription on swap</li> </ul>

**INDONESIA**



MANDATORY EVENTS	VOLUNTARY EVENTS
Rights Issue	Subscription Offer
<ul style="list-style-type: none"> <li>Rights may not be tradable for all events</li> <li>Tradable rights settle on T+0</li> <li>Market executions on tradable rights need to be completed by                             <ul style="list-style-type: none"> <li>12 noon HKT to allow for FX and settlement</li> <li>Settlement cut off time is 1:30pm HKT</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Subscription offers are required to be prefunded</li> <li>FX is executed on subscription deadline date, not pay date</li> <li>For certain events, an oversubscription facility may be available</li> </ul>

**MALAYSIA**



VOLUNTARY EVENTS
Subscription Offer
<ul style="list-style-type: none"> <li>Subscription offers are required to be prefunded</li> <li>Outturn securities may be ordinary shares and/or warrants</li> <li>FX is executed on subscription deadline date, not pay date</li> <li>For certain events, an oversubscription facility may be available</li> </ul>

**VIETNAM**



MANDATORY EVENTS	VOLUNTARY EVENTS
Rights Issue	Subscription Offer
<ul style="list-style-type: none"> <li>Rights generally are non-tradable in Frontier Markets</li> </ul>	<ul style="list-style-type: none"> <li>Subscription offers are required to be prefunded</li> <li>FX is executed on subscription deadline date, not pay date</li> <li>For certain events, an oversubscription facility may be available</li> <li>CGT considerations should be taken where applicable</li> </ul>



## Delta One Structured Products

# IPOs and Secondary Placements: Synthetic Access

The following summarizes Morgan Stanley's synthetic access offering over Initial Public Offerings ("IPOs") and secondary placements, and some key market considerations.

### MARKET SUMMARY

- The below table contains an indicative list of markets in Asia Pacific for which Morgan Stanley is able to offer synthetic access over IPOs and secondary placements
- For markets where Morgan Stanley is able to offer synthetic access over IPOs and secondary placements, there are a number of market specific considerations and applicable laws that apply

Market – Synthetic Access	IPO	Secondary	IPO Prefunding Requirement
<b>Developed Markets</b>			
Australia	Y	Y	N
Hong Kong*	Y~	Y	N
Japan*	Y~	Y	N
Singapore*	Y~	Y	N
New Zealand	Y	Y	N
<b>Emerging Markets</b>			
Korea*	Y~	Y	Y
Taiwan*	N	Y	N
India*	Y	Y	Y
China-A QFII*	Y	Y~	N
China Connect	N/A	N/A	N/A
Malaysia	Y	Y	Y
Indonesia*	Y~	Y~	Y
Thailand*	Y	Y	Y
Philippines	Y	Y	Y
<b>Frontier Markets</b>			
Vietnam*	Y	Y	Y

\* market specific considerations apply

~ MS cannot provide synthetic access directly on swap if MS is a bookrunner (or an issuer manager in the case of Singapore)

### GENERAL CONSIDERATIONS

- Synthetic access to all IPOs and secondary placements on swap at Morgan Stanley is subject to prior internal approval and at Morgan Stanley's absolute discretion
- Clients interested in obtaining synthetic access to deals are encouraged to contact their Morgan Stanley swaps desk contact as early as practicable
- Morgan Stanley may look to hedge the exposure provided to a client on swap by subscribing to the IPO or secondary placement. Synthetic access to the deal on swap may be confirmed only after Morgan Stanley receives the allocation on its hedge. Morgan Stanley's ability to provide synthetic access on deals is on a reasonable endeavors basis
- Where Morgan Stanley is acting as a bookrunner for an IPO or secondary placement, Morgan Stanley may be restricted from providing access on swap. Clients will be advised of any restrictions at the time of enquiry
- Morgan Stanley's ability to offer synthetic access may be predicated on several checks, including the ability for Morgan Stanley to be able to receive and settle an allocation as its hedge
- MS deadline for clients to indicate their interest on a deal may be earlier than the underlying deal subscription deadline

- Morgan Stanley will look to confirm allocations pertaining to synthetic access shortly after the underlying allocation has been confirmed for the relevant IPO or secondary placement deal. Timings may vary depending on the market and the respective bookrunner for that deal
- Unwinds of swap positions may be subject to restrictions including, and not limited to, the settlement and listing of the underlying IPO or secondary placement stock
- Costs:** Standard high-touch trading commissions (or bookrunner charges, whichever is greater) + market charges (if applicable) will be applied on all allocations in addition to any bid funding and hedging costs

### PRE-BID SUBMISSION CHECKLIST

- The following is a checklist of information that the Morgan Stanley swaps desk will require before confirming whether or not synthetic access can be provided:
  - Deal prospectus / Offer document \*
  - Share quantity / USD notional size of interest
  - Price sensitivities
  - Bid submission deadline \*
  - Bookrunner name and contact at bookrunner \*
  - Representation letter if applicable
- \*where Morgan Stanley is not a bookrunner
- Additional information may be required depending on the deal

### PRE-FUNDING REQUIREMENTS & FX CONSIDERATIONS

- Several IPO deals in Emerging Asian markets and Frontier markets require pre-funding
- To charge the cost of pre-funding, Morgan Stanley will book a cash position on swap (a product with a **.CASH** suffix) equivalent to the cash notional of the funding requirement, and apply a financing spread on such a swap
- Clients should contact the Morgan Stanley swaps desk to discuss financing costs
- For clients holding USD denominated swap positions, the FX for the allocation will be determined at the point of pre-funding. For deals that do not require pre-funding, the FX will be determined typically on allocation date shortly after Morgan Stanley has received confirmation of allocation and as soon as reasonably practicable
- Morgan Stanley swaps desk may be able to offer FX hedging solutions for the pre-funding period. Costs of such hedging can be incorporated into the swap booking. Clients should contact the Morgan Stanley swaps desk to discuss options

### ADDITIONAL CONSIDERATIONS

- Unwinds of swaps over deals may not be possible on allocation day where day-trading is not permitted
- Deals which require a lock up period for the position are not offered on swap
- Occasionally, secondary placements may take place prior to an upcoming dividend ex-date. Appropriate adjustments will be made on swap to account for the entitlement status to the dividend

## HONG KONG & KOREA

- For IPOs and secondary placements in Hong Kong and Korea, there are two scenarios to consider:

	Synthetic Access	
	IPO	Secondary
MS is Lead/Joint Bookrunner	X	✓
MS is not a Bookrunner on the Deal	✓	✓

- Where Morgan Stanley is a bookrunner on the deal, Morgan Stanley cannot provide synthetic access on swap for an IPO
- However, subject to approvals, Morgan Stanley can provide synthetic access to secondary placements
- Where Morgan Stanley is not a bookrunner on the deal, subject to approvals, Morgan Stanley can provide synthetic access on swap for both IPOs and secondary placements

## JAPAN

- For IPO offerings in Japan, where Morgan Stanley is a bookrunner, Morgan Stanley cannot provide synthetic access directly on swap
- Clients wishing to obtain synthetic access on swap would be required to first accept the shares onto their own cash account, and may then request for the shares to be crossed from their account into swap on listing date of the shares
- Secondary placements in Japan are referred to as "PO" (Public Offering)
- Where Morgan Stanley is not a bookrunner on the deal, subject to approvals, Morgan Stanley can provide synthetic access on swap for both IPOs and POs
- Stabilization Period**
  - Where Morgan Stanley is a bookrunner and stabilization agent for a PO, during the stabilization period Morgan Stanley will be restricted from accepting buy orders, and as such all buy orders on swap would be subject to pre-approval
  - Short selling on swap will not be permitted since clients may not be able to cover their position during this period
  - Unwinding of existing swaps can be facilitated, however through the high-touch route (i.e. no DMA/Algo access)

## SINGAPORE

- Where Morgan Stanley is an Issue Manager for the deal, Morgan Stanley cannot provide synthetic access on swap
- Where Morgan Stanley is a Book Runner for the deal, Morgan Stanley may be able to provide synthetic access on swap

## TAIWAN

- IPOs in Taiwan generally follow the Competitive Bid process
  - This typically requires physical representation at the bookrunner's office to submit an application for the IPO
  - For this reason, Morgan Stanley does not offer synthetic access where an IPO is subject to this process
- For IPOs that are not subject to the Competitive Bid process, Morgan Stanley will determine on a case by case basis to confirm whether synthetic access can be offered

## INDONESIA

- Where Morgan Stanley is an Underwriter for the deal, Morgan Stanley cannot provide synthetic access on swap.

## CHINA

- Morgan Stanley can offer access to China A (QFII) IPOs on swap
- Clients should be aware of the following points, which generally limit a successful allocation:
  - Lottery based allocation system
  - Two subscription mechanisms: online mechanism and offline mechanism.
  - Morgan Stanley only uses the online mechanism
  - The offline mechanism requires the bidder to submit their own valuation of the company and for this reason Morgan Stanley does not use the offline mechanism
  - There is a participation limit of 0.1% on the bid size for each investor (imposed by the exchange on the online mechanism)
- No prefunding required
- For new listings, only on debut day, a special trading mechanism is put in place:
  - Price Limits:
    - Opening auction: 80% ~ 120% x issue price
    - Continuous auction: 64% ~ 144% x issue price
    - If no trades are settled during the opening auction, the first execution price will be deemed as the opening price
  - Intra-day temporary suspension – during the continuous auction, if the execution price reaches +/-10% of the opening price, there will be a 30min pause
- There is no access to IPOs through the Hong Kong China Stock Connect Program
- Where Morgan Stanley or other connected parties are not involved in the onshore **Private Placement**, Morgan Stanley can offer access to China A (QFII) Private Placement on swap, subject to approvals.
  - Generally lock-ups are applied to these placements.
  - Typically limited to ~30 investors with minimum capital required (e.g \$30m CNY), clients are also required to provide a bid price to Morgan Stanley who will pass on to the bookrunner
  - Deal specific pricing to be applied. Financing would be higher than usual given the lockup
  - Morgan Stanley requires swap clients to sign a side letter for each deal, agreeing to the pricing and lock-ups.
  - Due to the documentation process and the complexity of these placements, the process can take several weeks
  - Please contact Morgan Stanley Swap desk at the earliest stage when the placement has become public for further information or to initiate the process

## THAILAND

- Two different structures for IPOs: DVP and Pre-funded
- DVP Style**
  - MS setup with the broker is required.
  - Does not require pre-funding.
  - FX will be determined typically on allocation date or as soon as reasonably practicable
- Pre-Funded**
  - Deal submitted through Agent
  - These deals typically must be prefunded for 1 to 2 weeks
  - Additional approvals required for credit risk
  - Bids will be prefunded in local currency and transferred to escrow account as per term sheet from book runner
  - FX will be struck and position will be booked with that FX rate
  - Pre-listing, the booking will reflect bid financing costs.
    - Leverage, if possible will be determined by market risk
    - Post listing, the financing rate will be adjusted if applicable, to reflect agreed equity financing

## INDIA

- Morgan Stanley can offer synthetic access to deals (IPO/QIP/OFS/Blocks) in India on a case by case basis
- Availability of deal capacity requires confirmation with the Morgan Stanley swaps desk ahead of any indication
- **Initial Public Offering (IPO)**
  - Morgan Stanley's deadline to indicate firm interest for synthetic access is normally 11:00AM HKT on the bid closure date
  - Once confirmed, interest on swap cannot be cancelled or revised downwards
  - A cash position on swap, INR.CASH for unhedged or USD.CASH for hedged FX exposure will be reflected till the credit of shares, along with bid financing costs
- **Qualified Institutions Placement (QIP)**
  - Expression of interest (EOI) is 10.30 am HKT, 1 day after deal announcement
  - Indicative FX rate will be advised on soft allocation date
  - FX will be struck and updated on the pay date
  - Final allocation will be on based on Confirmation of Allocation Note (CAN) received from Book Runners
- **Offer for Sale (OFS)**
  - Only 0% margin is offered on swap
  - Multiple bids can be placed during the market hours
  - Bids once placed, cannot be cancelled or revised down
  - However price or quantity or both can be revised upwards
- **Block Trade**
  - The deals are broker specific
  - MS needs to be set up with the broker in order to participate
- **Institutional Placement Program (IPP)**
  - The process is similar to an IPO and will entail Financing and FX hedging costs

Morgan Stanley

# Delta One Structured Products

## Give-Ins (Asia Markets)

### GENERAL GUIDELINES

- “Give-ins” refer to client orders that are executed with brokers other than Morgan Stanley and the resulting execution is offered by the executing broker to Morgan Stanley as a hedge against a Morgan Stanley client swap
- The executions between the executing broker and Morgan Stanley are settled on a delivery vs payment (DVP) basis, where the settlement currency of the trade is the same as the traded currency of the stock
- While Morgan Stanley endeavors to accept most Give-ins, Morgan Stanley reserves the right to refuse any Give-ins at its own discretion (for example, if its pre-trade checks are not satisfied it may refuse the Give-in). Pre-trade checks include, but are not limited to, position check, locate check, lot size, and the restricted list check
- In Asia, Morgan Stanley supports Give-ins for the following markets only: **Australia, Hong Kong, Japan, Singapore and New Zealand**
- Give-ins are booked by Morgan Stanley on a reasonable endeavors basis. Given the dependencies on the executing brokers’ operational processes, Morgan Stanley does not commit to any booking timeline
- Give-in trades are booked based upon the Give-in confirmation from the executing broker. Morgan Stanley does not book Give-ins based on swap trade file allocations from the swap client and is unable to use client swap allocation information to verify Give-in trades before booking and settling with the execution broker

### GIVE-IN TRADE CONFIRMATIONS

- Executing brokers are encouraged to send Give-in trade confirmations via the **Traiana** platform
- Alternatively, executing brokers can send Give-in trade confirmations via email to [fpghk\\_giveups@morganstanley.com](mailto:fpghk_giveups@morganstanley.com) in the following format:

Client Name	Trade Date	Settlement Date	Direction	RIC	Quantity	Price	Settlement Currency
Fund A	1/2/2019	1/4/2019	SS	0005.HK	100	64	HKD

- Executing brokers are required to clearly state the direction of the trade (B / SS / SL) **from Morgan Stanley’s perspective**, and the settlement currency of the trade
- The price on the Give-in confirmation should be the settlement price of the trade net of any broker commission and market equivalent charges applied by the executing broker
- Give-in trade confirmations cut-off times: the latest time which Morgan Stanley will accept Give-in trade confirmations on T+0 is 6:00PM HK time for Australia and 7:00PM HK time for the other 4 markets
- For any short-sell trades, the client should have pre-located borrow with the Morgan Stanley stock loan desk
- Give-ins can only be booked and settled on market trading days

### FX CONSIDERATIONS

- If a client wishes to strike the Morgan Stanley swap in a currency other than that of the underlying (e.g. USD Swap on a Japanese stock), an FX transaction would be required
- The client needs to specify if the FX transaction on Give-ins will be traded by the executing broker or by Morgan Stanley. This preference needs to be established as a standing instruction by the client and will be applied on all Give-ins received by Morgan Stanley. Clients should be aware that some executing brokers may not be able to settle shares in a currency other than the listing currency of the underlying
- If the client prefers Morgan Stanley to execute the FX, Morgan Stanley will execute on a reasonable endeavors basis, and only after the Give-in confirmation has been received from the executing broker
- No FX fixing rate or level is guaranteed on such an FX transaction

### TRADE BOOKING CONSIDERATIONS

- **Late Give-ins:**
  - Give-in trade confirmations received after the stated cut-off times, but prior to the corresponding market open on T+1, will be booked with the original trade and settlement dates
  - Give-in trade confirmations received after the corresponding market open on T+1 will require a new confirmation with an updated trade date. The trade date will be required to be T+1, but the original settlement date may be retained. The trade will be settled with the executing broker on a shortened settlement cycle
  - Give-in trade confirmations received on or after the settlement date of the trade will require a new confirmation with both an updated trade date and settlement date. To avoid the risk of settlement failure, same day settlement trade confirmations will not be accepted by Morgan Stanley
  - Clients may be unable to unwind positions with Morgan Stanley on T+1 if the Give-in trade (initiating a position) from the previous day is booked on T+1 as a result of the executing broker reporting the trade late to Morgan Stanley
- **Trade Price:**
  - The price on the Give-in trade confirmation is required to be within the trading price range on the day of the execution (not including commissions and market equivalent charges applied by the executing broker). If the price on the Give-in confirmation is outside of the trading range, Morgan Stanley will require the executing broker to provide additional information on the trade execution prior to accepting the trade
  - The trade price on the Give-in confirmation should be net of the broker’s commissions and market equivalent charges. Similarly, the booking of the synthetic exposure on swap will be done at the same net price as provided by the executing broker

- **Amendments to Give-in confirmations:**

- If the broker requires the economics of a Give-in confirmation to be amended after it has already been issued to Morgan Stanley, the executing broker is required to clearly mark this as a trade **amendment** to avoid duplication
- The executing broker should issue all amendments to Morgan Stanley as soon as possible, and sufficiently in advance of the settlement cutoff time of the trade, so as to allow sufficient time to process the amendment
- Amendments to a Give-in trade post settlement of the trade are not possible. The executing broker may issue a new Give-in trade to reverse the original trade and a new Give-in trade with the correct trade details. The executing broker will be required to absorb any market equivalent charges borne by Morgan Stanley as a result of the reversal trade
- For Give-in trade amendments pertaining to out of currency swap positions, additional FX transactions may be required to correct the transacted consideration. The final FX rate applied to the swap booking will be adjusted to account for any such amendment requirements

- **Trade Cancellations:**

- Cancellations to a Give-in trade post settlement of the trade will be reviewed by Morgan Stanley on a case-by-case basis. Morgan Stanley will have sole discretion on whether it will accept such cancellations
- Where Morgan Stanley is unable to cancel a settled trade, the executing broker may issue a new Give-in trade to reverse the original trade. The executing broker will be required to absorb any market equivalent charges borne by Morgan Stanley as a result of the reversal trade
- Morgan Stanley books all Give-in trades as soon as reasonably practicable after the Give-in trade confirmation has been received, and prior to the swap client providing the allocations. In the event the swap client does not recognize the trade, the client would be required to reach out to the executing broker to request them to cancel the trade prior to the settlement date
- For cancellations of Give-in trades pertaining to out of currency swap positions, reversal FX transactions may be required prior to cancelling the Give-in trade. Any differences in cash consideration as a result of the reversal FX transaction will be applied as an ad-hoc settlement cashflow to the client swap

## ADDITIONAL CONSIDERATIONS

- **Traiana:**

- Morgan Stanley encourages all clients to request their executing brokers to report trade confirmations over the Traiana platform
- The Traiana platform provides an efficient and standardized method of reporting trades. Morgan Stanley has developed connectivity with the Traiana platform to significantly improve the speed and accuracy at which Give-in trade confirmations are booked, resulting in timely trade matching of client swap bookings, and earlier identification of missing trades and breaks

## Trade Matching:

- Clients are able to use Morgan Stanley's **Transaction Manager** platform to:
  - o Upload details of transacted Give-in trades
  - o Systematically match and allocate those trades to the client swap
  - o Identify any missing Give-in trades
  - o Identify any mismatches with respect to trade economics
- For any missing Give-in trades, or trade economics mismatches, the client is able to reach out to their executing broker and encourage them to provide the Give-in trade confirmation to Morgan Stanley
- For trade mismatches, clients should encourage their executing broker to provide updated details on a timely basis, failing which trades may settle with the incorrect details
- **Japan lot size:**
  - Give-in trades in the Japan market are required to be reported in round lot quantities
- **Give-in trades due to primary and secondary placement transactions:**
  - Secondary placement trades given up by executing brokers may occasionally carry extended settlement cycles. In such cases, Morgan Stanley will restrict the swap position until such time that the position is available to trade
  - Where the extended settlement cycle is over record date of a dividend, the trade may not be entitled to the dividend
  - For such trades, Morgan Stanley may need to amend the booking applied on swap to ensure the trade is excluded from the record date dividend equivalent entitled position
  - **Japan:** for primary placements in Japan, Morgan Stanley is only able to accept the trade on listing date. Trades however can be settled on a T+0 settlement cycle, and swap positions are available to trade from the listing date
- **Broker Setups:**
  - While Morgan Stanley will have existing settlement relationships with most executing brokers, occasionally there may be brokers that Morgan Stanley is not set up with
  - If clients are unsure as to whether or not Morgan Stanley is set up to transact with a particular executing broker, they should reach out to their Morgan Stanley Prime Brokerage representative to confirm ahead of trading with the executing broker, as setting up new broker relationships can often take a number of days/weeks to complete



# Delta One Structured Products

## Asia Swap Position Keeping Guide

### POSITION KEEPING AND ORDER TAGGING

- **Position Keeping:** MS applies pre-trade checks on Asia swap orders to ensure accurate swap position keeping and Long/Short order-flagging
- The checks are designed to prevent an over-unwind of a long or short swap position and are applied systematically to Long Sell and Buy Cover orders in all Asia markets except Vietnam
- The checks are applied on a real time trade level basis
  - Unwind orders will decrement a position when the order is placed
  - In day trading markets opening executions will increment positions when filled
  - Client swap positions are aggregated for position checking purposes
  - Swap position checks are applicable to all Asia markets when trading on swap with Morgan Stanley
- **Order Tagging:** Side and Position Effect (Open/Close)
  - Clients are encouraged to send "4-sided" order tagging (Buy to Open, Buy to Close/Cover, Sell Long, Sell Short)
  - Clients are required to send at least "3-sided" order tagging (Buy, Sell Long, Sell Short) in Asia
- MS is able to offer position keeping solutions for clients that require position keeping at a fund or sub-fund (PM/strategy) level rather than an aggregate client
  - Note this is not supported in Vietnam and India

#### Example: Client Level Position Keeping

	Client Total	Acct A	Acct B	Note
Start of Day	(100)	100	(200)	Start of day positions
Client SL 100 shares	(100)	100	(200)	Order Reject: Position to unwind is less than order
Client SS 100 shares	(200)	0	(200)	Order Success: Client must sell short in the market

#### Example: Account Level Position Keeping

	Acct A	Acct B	Note
Start of Day	100	(200)	Start of day positions
Acct B SL 100 shares	100	(200)	Order Failure: Strategy B is NOT able to Sell Long as it is not long
Acct A SL 100 shares	0	(200)	Order Success: Strategy A is able to Sell Long even though client is net short overall

### CLIENT VS ACCOUNT COMPARISON

	Client Level	Account Level
Gross/Netted Positions	Netted positions	Gross positions
FIX Tag 1 Requirement	Not required	Required
Orders for Multiple Accounts	May be combined	Must be separate
Same Average Price	Permissible	Not guaranteed
Stock Loan Locates	Combined	Combined
Swap Allocation Options	Post trade only	Pre or post trade
Reporting	Combined	Combined or separate

### ACCOUNT LEVEL POSITION KEEPING

- **Gross/Netted Positions**
  - Unwind orders are checked against account level positions, rather than aggregate positions for the client
  - Accounts that are long, may long sell, even if client is net short across all accounts
- **FIX Tag 1 Requirements**
  - To achieve account level position keeping, orders must be tagged with fund identifiers, typically using FIX Tag 1 (Account)
- **Orders for Multiple Accounts**
  - The FIX Tag 1 requirement means that separate orders must be sent for different accounts
- **Same Average Price**
  - Sending separate tagged orders for each account means those orders will not have the same average price
- **Stock Loan Locates**
  - Locates requests (both pre locate ad-hoc locates) remain pooled at the aggregate client level and not segregated at the account level
- **Swap Allocation Options**
  - *Post Allocation:* Account level position keeping requires allocations to be booked on trade date to ensure accurate position keeping for the next trading day
  - *Pre Allocation:* MS can arrange for positions to be automatically allocated based on the order tagging
- **Reporting**
  - Swap reporting, trade recaps, corporate action notices and other communication can be separated by account

### ASSESSING CLIENT LEVEL VS ACCOUNT LEVEL POSITION CHECKING SUITABILITY

#### Is Account level position keeping for me?

- Clients with truly independent Funds/PMs/strategies – **YES**
  - Clients can map each PM/strategy to a different account
  - If multiple independent PMs/strategies are associated with the same fund, best practice is to create separate swap accounts for positions keeping
- Multimanager Platform Clients – **YES**
- Clients using Regulatory Host Platforms – **NO**
  - MS already distinguishes between different clients on the same regulatory host platforms
- Clients using Outsourced Trading Brokers – **NO**
  - MS already distinguishes between different clients utilizing the same outsourced trading broker
- Clients with multiple similar funds – **NO**
  - Not likely to be boxed
  - That require the same average price all controlled by the same trading team and
- Clients that extensively use give-ups – **NO**
  - Traiana, for example, does not support providing account when giving up, which is required for seamless account level position keeping

### NEXT STEPS

Morgan Stanley will enable Client Level position keeping by default when a client trades on swap in Asia. Please reach out to your Morgan Stanley representative if you require further details or wish to be set up for Account Level position keeping.

## Delta One Structured Products

# Korea and Taiwan: Synthetic Listed Derivatives Access

The following summarizes Morgan Stanley's synthetic access offering over futures listed in Korea and Taiwan.

### MARKET HOURS

- **Korea**
  - **Time Zone:** Korea Standard Time (KST), GMT+9
  - **Pre-Open:** AM 8:00 – 9:00
  - **Continuous Trading:** AM 9:00 – PM 3:35
    - o AM 9:00 - PM 3:20 on the last trading day
  - **Closing Auction:** PM 3:35- 3:45
  - **Overnight Session:** N/A
  - **Daily Price Limit:** ±8%, ±15%, ±20% price limits are applied to index futures base price (±10%, ±20%, ±30% for SSFs)
- **Taiwan**
  - **Time Zone:** China Standard Time (CST), GMT+8
  - **Pre-Open:** AM 8:30 – 8:45
  - **Continuous Trading:** AM 8:45 – PM 1:45
  - **Closing Auction:** N/A
  - **Overnight Session:**
    - o Pre-open at PM 2:50 – 3:00
    - o Opening Auction at PM 3:00
    - o Closes at AM 5:00 the following day
  - **Daily Price Limit:** ±10% for index futures and SSFs

### PRODUCT SUMMARY

MS offers synthetic access to the following futures listed locally:

	KOSPI 200	KOSDAQ	KR SSF	TAIEX	TW SSF
Contract Months	Mar/Jun/Sep/Dec		Monthly	Monthly	Monthly
Expiry Day	2 <sup>nd</sup> Thu	2 <sup>nd</sup> Thu	2 <sup>nd</sup> Thu	3 <sup>rd</sup> Wed	3 <sup>rd</sup> Wed
Voice Execution	Y	Y	Y	Y	Y
MSET (DMA)	Y	Y	Y	Y	N
MSET Algos	Y*	Y	N	Y*	N
Roll Tickers	Y	Voice only	Voice only	Y	N
Final Settlement	Cash	Cash	Cash	Cash	Cash

\*Limited algo suite

### PRICING

- **Commissions**
  - Outright, roll, and expiry rates would be agreed in advance. Please contact your Morgan Stanley representative to discuss.
  - Commission rates would include exchange fees and clearing costs
- **Independent Amount (IA)**
  - Swap IA is determined by MS market risk teams and may be greater than the underlying exchange's margin
  - Factors that may influence swap IA include portfolio with MS, risk, liquidity and concentration, and other measures of counterparty and portfolio risk
  - Morgan Stanley manages the exchange facing initial and variation margin with respect to its swap hedges

### PRE TRADE REQUIREMENTS

Morgan Stanley manages exchange position limits with respect to its principal trades including swap hedges. Capacity for swap positions may be limited.

- Clients interested in obtaining synthetic access to listed futures are encouraged to contact their Morgan Stanley representative in advance to ensure appropriate trading setup and swap capacity

### FX CONSIDERATIONS

Clients are offered two options with respect to currency treatment of swaps, detailed below. Currency settings should be set at the market level to apply across all products in that market. For example, if LCS is chosen for Taiwan, it would apply to both SSFs and TAIEX futures.

- **Local Currency Swaps (LCS)**
  - FX exposure is limited to unrealized mark-to-market
  - FX rate is struck at prevailing spot rates only on swap unwind or expiry, to convert realized performance from local currency to USD for swap settlement
  - Swap cash flows are settled in USD
- **Out-of-Currency Swaps (OCS)**
  - An FX rate is applied on each trade to convert the traded notional to USD
  - FX exposure applies to the full notional of the swap
  - FX rate is struck at prevailing NDF rates with NDF tenor = futures expiry date + 1 on increases, unwinds and expiries for the traded notional
  - Swap cash flows are settled in USD

### SWAP CONSIDERATIONS

By offering synthetic exposure to the futures, Morgan Stanley:

- Handles execution, clearing, and FX transactions for its swap hedges
- Manages exchange margin and position limits
- Handles reporting requirements for its swap hedges

### SWAP DOCUMENTATION REQUIRED

- ATS, ISDA, Credit Support Annex (CSA)

### FURTHER INFORMATION LINKS

- KOSPI 200 Futures  
<http://global.krx.co.kr/contents/GLB/02/0201/0201040201/GLB0201040201.jsp>
- KOSDAQ 150 Futures  
<http://global.krx.co.kr/contents/GLB/02/0201/0201040208/GLB0201040208.jsp>
- Korea Single Stock Futures  
<http://global.krx.co.kr/contents/GLB/02/0201/0201040401/GLB0201040401.jsp>
- TAIEX Futures  
<https://www.taifex.com.tw/enl/eng2/tX>
- Taiwan Single Stock Futures  
<https://www.taifex.com.tw/enl/eng2/sSF>

# Delta One Structured Products

## Taiwan Day Trading Overview

The below briefly summarizes the key day trading rules in Taiwan and how Morgan Stanley's swap products offer day trading efficiencies to clients.

### DAY TRADING RULES

- Article 2-2 of the Securities Transaction Tax Act of the Republic of China (Taiwan) provides that, from 28 April 2017 to 31 December 2021, the applicable transaction tax rate for day trades (as defined in such article) is 0.15% (rather than the usual 0.30%) of the transaction amount
- The Taiwan Stock Exchange publishes lists of day trading eligible and non-eligible names across multiple areas on their website:
  - Taiwan 50 Index, Taiwan Mid-Cap 100 Index and TPEX 50 Index
  - Margin trading eligible stocks
  - SBL eligible stocks (loanable securities)
- Trades not eligible for day trading efficiencies include:
  - Ineligible names, including margin and SBL ineligible names
  - Stocks which fall under disposition status (for example, watch stocks, full delivery stocks) are not day trade eligible Emerging market board stocks listed on Taipei exchange
  - Off exchange executions
  - Block Trades
  - Odd lots

### MORGAN STANLEY SWAP OFFERING

- The following is a summary of permissible actions and day trading efficiencies of Morgan Stanley's swap products under day trading rules:

Swap Trade Action	Eligible Names		Ineligible Names	
	Trade Action Possible	Efficiency Eligible	Trade Action Possible	Efficiency Eligible
Buy Long then Sell Long	✓	✓	✗	✗
Buy Long then Sell Short*	✓	✗	✓	✗
Sell Long then Buy Long**	✓	✓	✓	✗
Sell Short* then Buy Long	✓	✗	✓	✗

\* with approved locate

\*\* assumes client holds a net long swap position overnight

- Buy First Sell Later (BFSL):** Buy Long first and Sell Long later
  - Intraday buy long executions can be utilized for sell long
  - Orders tagged as buy cover cannot be used for sell long
- Sell First Buy Later (SFBL):** Sell Long existing long swap position first and Buy Long later
  - Clients may only sell long a position they held overnight on swap, or acquired on swap earlier the same day, and buy later
  - Naked long selling without an overnight position, or intraday long position, is not permissible

- Supported:** Morgan Stanley Electronic Trading (MSET) trade flow is supported. Clients executing via MSET are opt-in to day trading by default
- Not Supported:** Program trades and high touch orders are currently not supported for day trading activity
- Block trades:** block trades via MSET are not supported for day trading activity.
- If orders are executed across different platforms, the following applies:
  - Buy high touch vs sell MSET – day trading permissible under standard transaction tax rates
  - Buy MSET vs sell high touch – not eligible for day trading

### DAY TRADING EFFICIENCIES

- Day trading efficiencies of 15bps will be applied on the **sell** notional of executions that are eligible for day trading efficiencies
- Client swap trades are eligible for day trading efficiencies if the following criteria are met:
  - Both BFSL and SFBL involve trades executed intraday
  - Both BFSL and SFBL trades are executed through the MSET platform
  - Hedge executions are on market
- Orders executed across different platforms are not eligible for trade trading efficiencies
- Day trading efficiencies will be booked to client swaps as a USD notional credit, as an aggregate sum, in arrears and on a monthly basis (at month end). Efficiencies will not be visible on daily swap trade bookings, but the credits booked to swap will be visible on the standard month end equity swap cashflow and fee reports
- BFSL day trading efficiencies are available from 1<sup>st</sup> November 2017 onwards
- SFBL day trading efficiencies are available from 1<sup>st</sup> July 2018 onwards

### FURTHER INFORMATION LINKS

- Day Trading Regulation  
[https://www.twse.com.tw/en/page/products/trading/information\\_5.html](https://www.twse.com.tw/en/page/products/trading/information_5.html)
- Day Trading Eligible Symbols  
<http://www.twse.com.tw/en/page/trading/exchange/TWTB4U.html>  
[http://www.tpex.org.tw/web/stock/trading/intraday\\_trading/intraday\\_trading\\_list.php?l=zh-tw](http://www.tpex.org.tw/web/stock/trading/intraday_trading/intraday_trading_list.php?l=zh-tw)
- Transaction Costs and Taxes  
[http://www.twse.com.tw/en/page/products/trading\\_rules/costs.html](http://www.twse.com.tw/en/page/products/trading_rules/costs.html)

Morgan Stanley

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